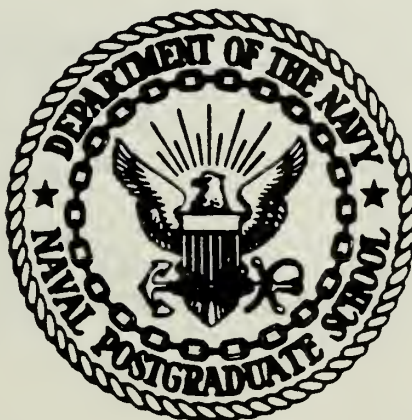


THE UNITED STATES AND SAUDI ARABIA:
A SPECIAL RELATIONSHIP; ITS BIRTH,
EVOLUTION AND REAPPORTIONMENT

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NAVAL POSTGRADUATE SCHOOL

Monterey, California



THESIS

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by

Jimmy H. Howard

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The method of approach is via chronological history. The first half of this work traces the birth and evolution of the relationship while the latter half focuses upon current vested national interests and possibilities of the future.

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A Special Relationship;
Its Birth, Evolution and Reapportionment

by

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Submitted in partial fulfillment of the
requirements for the degree of

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The primary purpose of this work is to define what has so commonly been referred to as a "special relationship" between the United States and Saudi Arabia. In accomplishing that task there evolved therefrom two paramount theses.

The first is that there is, indeed, a special relationship between the United States and Saudi Arabia and the second is that the relationship underwent a significant change in 1973. Founded shortly after the birth of the nation-state kingdom within a context of private economic venture, it was a decade later before the relationship was expanded to include bilateral government relations. The year 1973 marked a watershed in the relationship for it was events of that year which prompted a redistribution of share-interests and a metamorphosis of the relationship into something of greater complexity and intertwining of interests.

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PREFACE

The primary purpose of this work is to define what has so commonly been referred to as a "special relationship" between the United States and Saudi Arabia. In accomplishing that task, there evolved therefrom two paramount theses.

The first is that there is, indeed, a special relationship between the United States and Saudi Arabia. The relationship began approximately ten years after the founding of the kingdom via a transnational actor. The relationship later broadened to include a bilateral government-to-government relationship with all its inclusive aspects; from agricultural to military cooperation.

The second thesis derived from defining the special relationship is that in 1973, a significant reapportionment occurred within the balance of the relationship. The Arab-Israeli war and the oil embargo affected the relationship so as to both redistribute share-interests and metamorphose it into something of greater complexity and intertwining of interests.

The method of approach is via chronological history. The first chapter investigates briefly the history of the House of Saud and the nation-state Saudi Arabia. The two are a part in each other as evidenced by the fact that the nation-state bears the family name. Chapter II

traces the history of the relationship between the United States and Saudi Arabia with a breakdown into two separate eras -- pre-1973 and post-1973. Chapter III discusses contemporary national interests of the two states, each in the other, and offers contemporary evidence of expressions of those national interests. There evolves, therefore, from Chapter III a description of the current state of the relationship. Chapter IV concludes the work by summarizing how the relationship reached its present state and forecasting expectations of the future.

Research material for this paper includes both primary and secondary data. While emphasis was placed upon primary data, some authors' opinions proved especially helpful and must, therefore, be recognized. To define the national interest of Saudi Arabia most accurately, one requires a Saudi Arabian perspective. Primary data with such a perspective is limited because of many factors including location, uncommon language and in some cases, ambiguity in expression. Secondary sources helped, in many cases, to overcome the handicap of incomplete Saudi, Arab, Islamic perspective. While area specialization can minimize such a handicap, it can never completely eliminate it for a non-Arab, non-Muslim.

Data sources include not only professors and facilities of the Naval Postgraduate School but the libraries of Hoover Institute, Stanford University, University of Chicago, and

personal interviews with several Middle East area specialists.
Any errors, of course, are the sole responsibility of the
author himself.

I. SAUDI ARABIA: THE NATION STATE

A. THE HOUSES OF SAUD AND WAHHAB

The history of Saudi Arabia as a nation-state begins in its most concise form in 1932. On September 18 of that year, Abdul Aziz ibn Saud assumed the title of king and proclaimed his domain to be the Kingdom of Saudi Arabia. However, a more extensive history must consider how the nation-state came into being, for the foundations of authority and legitimacy which exist in the contemporary sovereign nation-state were begun two centuries earlier.

Such a consideration must of necessity be a family story -- a story of the House of Saud. It was through the accomplishments of the House of Saud that divided and separate regions, peoples and tribes were unified into a singular, functioning nation.

Eighteenth century Arabia was for the most part a land politically fragmented where scores of independent tribal leaders and urban lords held small domains. More often than not, these separate and independent leaders were in conflict, each with the other. Mohammed ibn Saud, one of the earliest members of the House of Saud, was one such leader, overseeing his small domain in an area north of the present day capital, Riyadh.

There arose within a nearby area a religious leader, Mohammed al-Wahhab. Appalled by what he saw as sacreligious

and idolatrous practices, Al-Wahhab called for a return to the original principles of Islam. Stirring up both fervent following and violent opposition, he was forced by the opposition to leave his home and to seek refuge elsewhere.

Forced out of his own region, Mohammed al-Wahhab sought and was granted refuge by Mohammed ibn Saud. The religious leader and the tribal leader shared the same ideology and saw, through their unification, the furtherance of the same. In 1744, they swore a joint oath to support and further their common cause both within and without the realm of Mohammed ibn Saud.¹ Thus was born what was eventually to become the monarchy of the House of Saud.

The combination of Saud's tribal militancy and Wahhab messianic ideology made for a fervent force which was to eventually transform the Arabian Peninsula from a region of separate and warring tribes and regions into a unified kingdom.² The House of Saud and the Wahhabi religious conservatism were further united by inter-marriage between the two families, the most important of which was Saud's to the daughter of al-Wahhab.³ In 1788 with the House of Saud family concurrence, Mohammed al-Wahhab designated the rule of succession which was to continue into the twentieth century. Saud's eldest son was designated as Wali al-Ahd, Holder of the Covenant or Heir Apparent. Instructions then went out throughout the realm for the traditional baiah

or pledge of allegiance to be sworn to Saud. This remains to be the procedure of the Saudi monarchy today. As George Rentz points out, the often heard reference to the Heir Apparent as Crown Prince is inaccurate for there is no crown prince in Saudi Arabia.⁴ Mohammed al-Wahhab died in 1792 but the Wahhabi conservatism ideology lived on to be practiced by the House of Saud and to be the foundation of Saudi Arabian society today.

The period subsequent to al-Wahhab's death up to the beginning of the twentieth century was a period of both victory and set-back for the House of Saud. At one point in the early nineteenth century, the House of Saud combined with Wahhabi ideology had expanded its realm to include most of the Arabian Peninsula and was approaching Damascus. However, the Ottoman Sultan, having already been humiliated by his loss of the Holy Cities Mecca and Medina, decided that the limit had been reached. The Sultan commissioned his Egyptian viceroy, Mohammed Ali, to send an expedition to the peninsula to regain both his territory and his honor. There followed a series of campaigns between the House of Saud and both Mohammed Ali and other tribes that lasted until 1891. In that year, the House of Saud, weakened by both external and internal strife, lost even its homeland, the central province of Nejd. A rival tribe, the Rashids, took power in the Nejd forcing the House of Saud into exile in Kuwait.

B. RISE OF THE NATION STATE

In January 1902, the eldest son of the exiled House of Saud left Kuwait and returned to Riyadh. In a daring dawn raid with less than fifty men, Abdul Aziz ibn Saud (commonly known in the West as Ibn Saud) reconquered Riyadh from the Rashids. Thus began the consolidation of the Kingdom of Saudi Arabia as it is known today. And thus at the age of 21 began the rise of King Ibn Saud, the founder of the contemporary Kingdom of Saudi Arabia and father of the present king.

The consolidation was accomplished in a step-by-step process from the central province, the Nejd, to the eastern provinces, then the southwestern-most province, the Asir; and finally the western-most province, the Hejaz.

Ibn Saud's 1913 movement toward conquering the eastern provinces was to have special significance in al-Ahsa. Whereas past conquests had been more of familial basis, primarily Saud versus Rashid, the move toward al-Ahsa was against a foreign power. Al-Ahsa was a Turkish garrison manned by Turkish troops. And while Rashid and Hussein were both indirectly supported by the Ottomans, the conflict at al-Ahsa was Saud's first direct confrontation with the Turks. Saud had also heretofore placed primary dependence for his manpower requirements upon temporary alliances. But such assistance was usually inversely proportional

to the difficulty of the ensuing struggle. It was herein then that the evolution of the Ikhwan began.⁵

In terms of difficulty and primordial significance, the Hejaz was predominant. For it was here that Hussein, the great grandfather of the present King Hussein of Jordan, reigned supported by the British. British subsidies to both rulers could not quell the rivalry between them and in 1926 the Saudi-Wahhabi movement took control of the Hejaz, Hussein went into exile in Cyprus and Ibn Saud was declared the King of the Hejaz and Sultan of the Nejd and Dependencies.⁶ After a further period of consolidation, Abdul Aziz ibn Saud declared his realm on September 18, 1932, to be called the Kingdom of Saudi Arabia.

Those foundations of legitimacy and authority which enabled Ibn Saud to consolidate the Arabian Peninsula into a unified kingdom continue to this day to be pillars of the Saudi state. Starting with the single source of tribal leadership, the Saud family had expanded by taking up the Wahhabi religious ideology and cemented that consolidation by intermarriage with the Wahhabs. Ibn Saud used the same technique. As he conquered or consolidated additional tribes or regions, rivalries were erased and bonds established by marrying leading daughters of conquered tribes and religious leaders (ulema), thus giving everyone a vested interest in the furtherance of the House of Saud.⁷ Ibn Saud's marriages

left more than 30 living sons. "Rather than mere procreation -- it was creative kingdom building."⁸ Furthermore, the ideology of Wahhabism made individual tribesmen brothers in a greater community, the community of Wahhabist Islam. Thus in 1932, Ibn Saud had established the suprastructure upon which his successors would claim rulership of Saudi Arabia. As king he was the chief ruler within the state; as head of the Wahhabist movement he was the central religious figure; as leader of the House of Saud, he was the leading tribal chief of all tribes; and as protector of Islam's holiest shrines, Mecca and Medina, his kingdom occupied a position of prominence throughout the entire Islamic world.⁹

C. TOWARD A MODERN STATE

With his nation-state newly consolidated Ibn Saud had to turn and face conflict from an adjoining state. A border dispute developed in 1933 between his southeastern province, Asir, and the state of Yemen. With Imam Yehya of Yemen provoking what had originally started as a challenge of rulership within the Asir, King Ibn Saud decided to strike at the root of the problem. War was declared on Yemen in March 1934, and Ibn Saud sent his two eldest sons to lead an invasion force. The counterattack was successful and the Imam sued for peace with Ibn Saud's forces commanding a large portion of Yemen. A treaty was signed on June 23, 1934, wherein Ibn Saud demanded neither reparations nor territorial

changes of any sort. The statesmanship of Ibn Saud impressed the Imam Yehya in such a manner that he thereafter did his best to refrain from hostile actions against Ibn Saud.¹⁰

Border relations with neighboring states were further improved on April 2, 1936, when a treaty of Arab brotherhood and non-aggression was signed with the Hashemite Kingdom of Iraq.¹¹

With his state fully expanded and affairs with neighboring states in a peaceful mode, Ibn Saud could demobilize his war machine and devote primary attention to development of a nation-state infrastructure. Ministries of foreign affairs and finance were established by 1932 and provincial governors were appointed in the provinces of Nejd, Hejaz, Ahsa, and Asir. Internal development proceeded slowly. Social services were initiated, experimental agricultural projects were established, and the state began to acquire the paraphernalia necessary to function as a nation-state.

The need for finance to maintain the state was the catalyst which prompted sale of an oil concession to an American firm in 1933. Oil in commercial quantity was discovered in 1938, thus seemingly ensuring financial solvency for King Ibn Saud's kingdom. However, World War II delayed development of production and export facilities and it was not until the late 1940s that the kingdom was able to enjoy substantial income from the Arabian American Oil Company (Aramco).

During World War II, King Ibn Saud kept his kingdom neutral.¹² He did, however, approve an agreement with the U.S. for airfield basing rights in Saudi Arabia. However, construction was not completed until after the war and both negotiations and construction were played down in order to avoid public infringement of his declared neutrality. As the war ended, Saudi Arabia declared war on Germany on March 1, 1945, thus allowing participation in the United Nations Conference at San Francisco.¹³

The increasing income from oil development subsequent to the war allowed for increased internal development. Annual revenue had changed from \$4 million in 1944 to \$85 million in 1945.¹⁴ Transportation, power generation, education, agriculture, health care and water supply all benefited from the development funds. The kingdom experienced significant progress in regard to technology but governmental leadership remained very much patriarchal.

The government was the House of Saud. Ibn Saud was a monarch guided not by any sort of constitution (as defined by Western standards) but by Islamic law. Positions of leadership and responsibility were filled by members of the royal family or close confidants. His sons Saud and Faisal served as viceroys of the two most important provinces, Nejd and Hejaz. Saud was heir-apparent and commander of the army; Faisal was foreign minister. A council of

ministers was established in October 1953 to advise the monarch but its makeup was predominantly royal family.

King Ibn Saud died November 9, 1953, and was succeeded by his eldest son, Saud. While there had been significant development under Ibn Saud, this was not his most significant accomplishment. His most significant accomplishment was the feat of more than two decades prior to his death. Ibn Saud had unified a vast area of conflicting tribal regions into a nation-state. Moreover, he had maintained that unity for nearly a quarter of a century. Such an accomplishment required a tremendous skill in maintaining a delicate balance. On the one hand he faced the fervent, often labeled fanatical, conservatism of the Wahhabi Ikhwan whose "fanaticism" had served him so well in military campaigns. On the other hand there existed the relatively liberal, almost secular, views which existed in peoples such as those in the Hejaz.¹⁵ King Ibn Saud had for a quarter of a century walked that tightrope without being drawn off-balance by either faction; thus ensuring continued unity of his new-found kingdom.

The demands of the kingdom were not so well met by Ibn Saud's successor, Saud. From within the kingdom there developed a dissatisfaction over alleged wasteful expenditures and a lack of development. From without, there developed the challenge of Nasserism, originating in the Egyptian revolution of 1952 and spreading throughout the

Arab world. Problems reached crisis stage in March 1958, and King Saud decreed his brother and Heir Apparent Faisal would assume full powers of government in the fields of internal, foreign, and fiscal policy. Under Faisal, fiscal policy was greatly improved and the nation's debts were significantly liquidated. But Faisal's strict program of austerity was not without criticism, especially from Saud's patriarchal faction. Resultingly, there developed a power struggle for leadership of the kingdom which was not fully resolved until November 2, 1964.¹⁶ In the period 1958-1964 there occurred several transfers of power between Saud and Faisal, with Saud always retaining the title of king and Faisal dutifully relinquishing control whenever challenged by his brother and king, Saud.

Faisal's last submission was March 15, 1962.¹⁷ King Saud reassumed power and Faisal left the country shortly thereafter for the United States. His departure was partly to undergo medical treatment in the United States and partly to express dissatisfaction with the state of affairs in Saudi Arabia. Within a few months, however, he was persuaded to return and reassume government leadership. The September 2 revolution in Yemen had precipitated another crisis for Saudi Arabia requiring Faisal's expertise. Faisal continued de facto leadership of the kingdom from 1962 to 1964 until King Saud again challenged for resumption

of power. On this occasion, however, there evolved a consensus from all the sources of power within the kingdom, the ulema, the council of royal princes, and the tribal sheikhs: Saud's challenge was rejected. King Saud was formally deposed and Heir Apparent Faisal was proclaimed King on November 2, 1964.¹⁸

Under Faisal's leadership, the country underwent significant development while still adhering to the traditional principles of Wahhabi Islam. He had introduced a ten-point program of modernization in 1962 which included judicial reform, education, health and social development, and propagation of the Islamic faith.¹⁹ In Arab affairs, the country began to assume greater authority by financing rehabilitation of "front-line" Arab states after the 1967 war. After Nasser's death in 1970, King Faisal emerged as the leading spokesman for the Arab world.

Under Faisal's leadership the first two five-year development plans were drawn up. The first in 1970 called for development expenditure of \$9.2 billion and the second in 1975 called for \$142 billion.²⁰

In international affairs, the increased revenues resulting from quadrupling of oil prices in 1973-1974 literally skyrocketed the kingdom up the list of international protocol. Saudi Arabian crude increased from \$3.01 to \$11.65 per barrel and the kingdom's oil revenues rose from \$4.34 billion

in 1973 to \$22.6 billion in 1974.²¹ Balance-of-payment surpluses rose by a factor of ten -- from \$2.5 billion in 1973 to \$25 billion in 1974.²² Moreover, the kingdom's possessions of the world's largest proven reserves -- 25% of free world total -- and production of 8.5 million barrels per day -- again 25% of free world total -- gave it overwhelming status in a world economy frightened by energy prospects.²³

In development of the country, propagation of Islam and the Arab cause, and emergence of the nation as an international actor of significance, King Faisal was approaching a position of historical significance equal to that of his father, Ibn Saud. It was then a tragic occurrence that on March 25, 1975, he was assassinated by a young nephew.²⁴

The Heir Apparent, Khalid, Faisal's brother, assumed the monarchy and his half-brother Fahd assumed the position of Heir Apparent and first deputy Prime Minister. The position of head of the National Guard was assumed by Prince Abdullah while Prince Sultan retained the Ministry of Defense and Aviation. As first deputy Prime Minister, Prince Fahd has conducted most of the day-to-day affairs of the kingdom for King Khalid is troubled with medical problems. However, there is no doubt that the loyalty is with King Khalid and he retains full authority as king.

King Khalid has carried on in much the same way as Faisal had reoriented the kingdom. Just as Ibn Saud and

Faisal had before him, Khalid had been required to strike a finely tuned balance between Islamic traditionalism and modernization. The most recent emanation of this policy of balance was evidenced by expansion of governmental bureaucracy, under demands of the expanding technocratic class, to include urban middle class. Such a move not only met demand but broadened the regime's power base. The most significant of such movements occurred in October 1975 when the Council of Ministers membership was expanded from fourteen members to twenty. Whereas the council began with a majority of members being royal princes, its makeup changed to include only eight royal princes. Eleven of the new members had higher degrees, one had a bachelor's degree and two were prominent Islamic theologians.²⁵ The dynamicism of the oil economy and traditionalism of the Islamic society require that the fine tuning be a continual process.

FOOTNOTES

¹George Rentz, "The Saudi Monarchy" in King Faisal and the Modernization of Saudi Arabia, Willard A. Beiting, ed. (Boulder: Westview Press, 1980) p. 17.

²In exemplifying the change wrought by Ibn Saud, George Rentz comments that "Highwaymen no longer made the roads unsafe; caravans traveled without guards and no longer had to pay Bedouin tribes for the right of transit." Further, he quotes an Arab poet: "If only a tiny coin were lost in the desert, it would be returned, even from the lion's lair." George Rentz, "The Saudi Monarchy," p. 20.

³Richard F. Nyrop et al., Area Handbook for Saudi Arabia, 3d ed. (Washington: American University, 1977) p. 25.

⁴George Rentz, "The Saudi Monarchy," p. 19.

⁵For an analysis of Saud's use of the Ikhwan in building his nation-state see Lawrence Goldrup "Saudi Arabia: 1902-1932: The Development of a Wahhabi Society" (Ph.D. dissertation, University of California, Los Angeles, 1971).

⁶Hussein's WW I actions perhaps unwittingly assisted Ibn Saud's eventual takeover of the Hejaz. In 1916, Hussein with T. E. Lawrence as advisor ousted the Turks from the Hejaz, thus smoothing the way for Ibn Saud's eventual takeover. Ibn Saud remained neutral during the war.

⁷In 1921, Ibn Saud married the widow of Saud ibn Rashidi, his arch-rival. He adopted her children and made peace with her relatives; thus forestalling any further Rashiki alliance that would conflict with his own. Richard F. Nyrop et al., Area Handbook for Saudi Arabia p. 31.

⁸J. C. Hurewitz, The Persian Gulf after Iran's Revolution (New York: Foreign Policy Association, 1979) p. 15.

⁹There is little doubt that King Ibn Saud realized both the legitimacy and responsibility bestowed upon his monarchy by possession of Islam's two holiest cities. After taking the Hejaz, he invited all world Islamic leaders to a conference in Mecca to both seek their advice on improved administration of the pilgrimage and to declare his protectorship of the Holy Places. David Howarth, The Desert King: Ibn Saud and his Arabia (New York: McGraw-Hill, 1974) p. 156. Richard R. Nyrop et al., Area Handbook for Saudi Arabia, p. 32.

H. St. John Philby, Saudi Arabia (New York: Frederick A. Praeger, 1955) pp. 301-302.

¹⁰George Lenczowski, The Middle East in World Affairs, 4th ed. (Ithica: Cornell University Press, 1980) p. 579.

¹¹One analyst suggests that Ibn Saud's restraint in imposing military conquest upon Yemeni territory was more a pragmatic realization of the limitations of his military capability than any mood of benevolence. Malcolm Peck "Saudi Arabia in United States Foreign Policy to 1958" (Ph.D. dissertation, Fletcher School of Law and Diplomacy, 1970).

¹²Philby describes Ibn Saud's position during the war as officially and formally neutral while his personal sympathies were undoubtedly with the Allies. For additional support of that argument see Philby, Saudi Arabia, p. 337.

¹³Lenczowski, The Middle East, p. 581.

¹⁴Nyrop, Area Handbook, p. 34.

¹⁵Typical of the extremes of views faced by Ibn Saud were those of the religious leadership -- the ulema -- and the merchant urbanized classes of Jidda. Many writings mention a confrontation between Ibn Saud and the ulema when he introduced radio into the kingdom. The ulema felt such devices to be of the devil. Ibn Saud's solution was to have the words of the Koran relayed to a distant location via radio, therein proving the radio to be an instrument of great value in propagating the faith. On the other hand, after capturing Jidda, Saud had to balance the views of the conquering Ikhwan and the resident merchant class. The Ikhwan sought to destroy consignments of tobacco imported by the wealthy merchant class. Saud ordered that those consignments presently in hand would remain the property of the owners but that future importation would be banned. The prohibition was later handily forgotten. Howarth, The Desert King, p. 157. Peter A. Iseman, "The Arabian Ethos," Harpers, February 1978, pp. 37-57. H. St. John Philby, Saudi Arabia, pp. 304-305.

¹⁶George Rentz, "The Saudi Monarchy," p. 31.

¹⁷Lenczowski, The Middle East, p. 596.

¹⁸For text of the official proclamation see Arab Political Documents, 1964, p. 441, as reproduced in George Lenczowski, ed., The Political Awakening in the Middle East (Englewood Cliffs, N.J.)

¹⁹For two summaries of the program see Helen Lackner, A House Built on Sand: A Political Economy of Saudi Arabia (London: Ithica Press, 1978) pp. 65-66 and George Lenczowski, "Tradition and Reform in Saudi Arabia," Current History, February, 1967, p. 101.

²⁰For thorough analyses of Saudi Arabian development see Ramon Knauerhause, The Saudi Arabian Economy (New York: Praeger, 1975) and Donald A. Wells, Saudi Arabian Development Strategy (Washington: American Enterprise Institute for Public Policy Research, 1976).

²¹Saudi Arabian Monetary Agency (SAMA) Statistical Summary, 1977 as cited in Lackner, A House Built on Sand, p. 45.

²²IMF Balance of Payments Yearbook, 1978 (Washington: International Monetary Fund, 1978) p. 517.

²³International Financial Statistics, June 1975; U.S. Department of the Interior, Bureau of Mines, Mineral Industry Surveys, April 1975; World Petroleum Report -- An Annual Review of International Oil Operations, vol. 21 (1975) as cited in John Duke Anthony, ed., The Middle East: Oil, Politics, and Development (Washington: American Enterprise Institute for Public Policy Research) p. 104.

²⁴The nephew's brother had been killed a decade earlier in rioting over Faisal's introduction of television into the kingdom. See Newsweek, April 1975, p. 25.

²⁵Braibanti and Abdul Salem Farsy, Saudi Arabia: A Development Perspective as cited in Adeed I. Dawisha "International Values and External Threats: The Making of Saudi Foreign Policy" Orbis, Spring 1979, p. 132.

II. THE UNITED STATES AND SAUDI ARABIA:

EVOLUTION OF A SPECIAL RELATIONSHIP

The United States-Saudi Arabian relationship evolved through many steps. The foundation of the relationship was established just one year after Ibn Saud declared his newly consolidated realm to be the Kingdom of Saudi Arabia. And from that basis of private economic interests, the relationship broadened to include national interests of oil, geostrategic, military, political and economic interests. Each of these factors remains today as important sustainers of the relationship. For there has been both constant growth in depth within each individual factor and lateral growth of the total relationship by encompassment of additional factors.

The year 1973 marked a watershed in evolution of the relationship. It was in that year that the junior member of the bilateral relationship exercised fully independent actions to the detriment of the senior member. The results of that action so affected and impressed the United States and its interests, both at home and abroad, that the relationship thereafter would be on a revised basis. Many of the old bases for the relationship would continue but the partnership would be on revised share interest proportions. Saudi Arabia had proven in a most dramatic manner that it would jeopardize its interests in the partnership in favor of regional concerns and interests. While many events of the

past had focused the attention of the policy-making elite upon the importance of Saudi Arabia, no event had ever been so impressionary in both scope of reach and effect. Saudi Arabia gained world notoriety in both its importance to free-world interests and its ability to jeopardize those interests in favor of more nationalistic interests. The United States-Saudi Arabian relationship was to be thereafter both on a more even footing and intertwined complexity. In following the evolution of the relationship, this chapter will then approach the topic via two separate eras -- pre-1973 and post-1973.

A. PRE-1973

The genesis of the United States-Saudi Arabian relationship was in the form of private economic enterprise -- economic enterprise between a tribal chieftain whose new-found conquests required financing and a private oil company which was willing to risk advancing the required financing in exchange for exploration rights. King Ibn Saud quickly found that the financial requirements of his newly formed state exceeded those revenues provided by the kingdom's primary source of revenue -- the annual pilgrimage to Islam's two holiest cities, Mecca and Medina. An oil concession was a possible source of revenue and oil had been already discovered in neighboring Bahrain; thus there were a few private oil companies mildly interested in exploring the kingdom for petroleum resources.

As early as 1923, before complete consolidation of his kingdom, Ibn Saud had granted oil exploration rights to the Eastern General Syndicate of London. There was much opposition to such a move, especially from the religious leaders -- the ulema. They feared the infidel influence which would accompany outsiders drawn to the kingdom by oil. Undoubtedly, Ibn Saud shared some of that fear but his movement required funding and the sum of £2000 annual concession rental fees provided sorely needed income. However, Eastern General lost interest after two unsuccessful seasons of exploration and the concession was formally terminated in 1928.¹

The depression of the 1930s impacted the kingdom's meager revenues severely. Pilgrims to Mecca and Medina decreased from over 130,000 in 1927 to 40,000 in 1931.² Further, Ibn Saud's realm had now expanded to include all of contemporary Saudi Arabia. And he was involved in a costly dispute on the border with Yemen which would eventually lead to war. Thus, with increasing fiscal demands of an emerging nation-state escalating drastically while income decreased (from what was a meager amount to start with) Ibn Saud was forced to look outward for assistance and to relegate any fears of outside influence which his Wahhabi conservatism might suggest.

H. St. John Philby, a former British army officer converted to Islam, played an important role in the United States' entrance upon the scene. Philby spent the last forty years

of his life in Arabia and was accepted in Ibn Saud's tent as confidant and advisor.³ Upon Philby's advice, Ibn Saud met in 1931 with the American philanthropist, Charles Crane, who had represented the United States President Wilson a decade earlier in the King-Crane Commission to the Middle East. Crane was sponsoring development work in Yemen and Ibn Saud asked for his assistance in assessing mineral and water development potential within his kingdom. The experience with the Eastern Syndicate concession had raised doubts about oil resources and emphasis was now to be on water and possibly gold. Crane agreed to employ at his own expense an American mining engineer, Karl Twitchell, to survey the kingdom. Twitchell completed his survey and returned to New York in 1932 whereupon Crane authorized him to make known his results to any interested company. Twitchell's survey still rated oil as the greatest mineral potential of Saudi Arabia. Only one company expressed any interest, Standard Oil of California (Socal). Socal had found oil in neighboring Bahrain in June 1932; thus, there was some hope of realization of Twitchell's reports.

Twitchell returned to Saudi Arabia with a senior Socal executive and in May 1933 in Jidda, Socal signed a sixty-year oil concession with King Ibn Saud for the variously disputed sum of 35 to 50 thousand gold sovereigns.⁴

In 1936, Texaco joined in partnership with Socal in the Saudi venture to afford the benefit of Texaco's worldwide

marketing facilities. Together the two companies formed the basis of what would later be known as the Arabian American Oil Company (Aramco). They were later joined by Mobil Oil Company and Exxon Oil Company, thus completing the American consortium membership. Oil was not discovered in quantity until 1938 but that discovery was cause for renegotiation of the sixty-year concession. Payments were substantially higher and the concession period was extended to 1999.

Just as the concession was being renegotiated in 1939, competition appeared in the form of a Japanese offer. The Japanese offer had been transmitted by the Italian Minister to Saudi Arabia. At the same time, the German Minister to Iraq who was also accredited to Saudi Arabia called in Jidda to further the drama. Twitchell asserts that the offer was so "fantastic" that Aramco had to admit that, for its part, such terms were not commercially practicable and that Aramco could not match such an offer.⁵ Tempting or not, King Ibn Saud chose to continue dealing with his American friends, thus leaving the Japanese and the Germans empty-handed. The United States still had no political interests in Saudi Arabia -- there was no U.S. diplomatic representation accredited to the country at the time -- thus it is felt that this was Ibn Saud's prime consideration. The Japanese and German offers could incur political associations while the Aramco association offered no such liability.

Adhering to his policy of non-involvement, King Ibn Saud steered his kingdom on a course of neutralism in the rising political storm which was to be World War II. However, in spite of his neutralism, the kingdom was to suffer from the war. Revenue from the new found life blood of petroleum exports was vastly curtailed as markets assumed the polarity of Allied or Axis camp. Tankers could no longer venture the long trip between the Persian Gulf and market and war priorities on strategic materials such as steel curtailed Aramco development. Also, the kingdom's final, basic source of revenue -- the pilgrimage traffic -- was vastly curtailed by the war. King Ibn Saud was again in dire fiscal straits.

He appealed to Aramco, the United States and Great Britain for assistance. Aramco advanced a loan of three million dollars in 1940.⁶ However, this was only half of what Ibn Saud felt his country needed. With obvious concern for the future of its operation in Saudi Arabia, an Aramco representative, James A. Moffett, met with the Roosevelt administration in April 1941 in an attempt to secure United States aid for the king. Secretary of State Cordell Hull prepared a memorandum for President Roosevelt relaying Mr. Moffett's concern that "unless King Ibn Saud receives financial assistance at once there is grave danger that the independent Arab Kingdom cannot survive the present emergency...."⁷ Lacking legislative authority for such an action, President Roosevelt collaborated with Britain to funnel financial

assistance to Saudi Arabia by way of funds made available to Britain through American Lend-Lease Assistance.⁸ Thus was established the precedent of United States economic aid to Saudi Arabia.

Exactly ten years after the birth of the relationship in 1933 between the United States and Saudi Arabia by way of an American oil consortium concession, the relationship was to take on more official overtones. In February 1943, President Roosevelt's declaration that "the defense of Saudi Arabia is vital to the defense of the United States" was a catalyst for a chain of events which would make 1943 a year of special significance in the evolution of United States-Saudi Arabian government relations.⁹ The primary reason for the declaration was to enable direct lend-lease aid to Saudi Arabia, thus avoiding the indirect method through Britain which had existed for the past two years. The growing Aramco operation had relayed to U.S. policy makers a perception of U.S. strategic interest in Saudi Arabia. Resultingly, American diplomatic representation in Jidda was raised in rank in July from chargé to minister, an agreement was made in December for airfield construction at Dhahran and a U.S. mission arrived in July to determine Saudi Arabian requirements for military assistance.¹⁰

Dhahran airbase was to be the initial physical evidence of United States government expression of military interests

in Saudi Arabia. Moreover, it represented a significant step in the gradual change in paramount foreign influence in the country from British to American. Located on the eastern coast of Saudi Arabia, Dhahran represented a logical site for an airbase linking Southern Asia with the Western World. It also represented a position of strategic importance in executing the Pacific war effort which was to continue after the war in Europe. And as the headquarters for Aramco operations in Saudi Arabia, the location would support allied oil interests in the country. The significance of such a project in diminishing British influence in the area with resultant increase in American influence was not lost to the British, however, for the American minister in Saudi Arabia reported that the British had engaged in "anti-American coercion of the Saudi Government" in an attempt to effect Saudi Arabian rejection of the American project. The British yielded, however, after the U.S. Secretary of State Cordell Hull protested to the British Government characterizing their opposition as a "reversion to dog-eat-dog policy which, if continued, has possibilities we are not presently able to apprise."¹¹ In late 1943, an agreement was reached between the U.S. Legation in Jidda and the government of Saudi Arabia wherein the U.S. was allowed to construct an air-base at Dhahran in exchange for U.S. assistance in training the Saudi military.¹² Negotiations were carried out without

public notices in an attempt to avoid discreditation of King Ibn Saud's avowed neutrality. Construction began at Dhahran in 1944 and was completed in 1946.

The July 1943 U.S. military mission to Saudi Arabia represented another manifestation of more active pursuit of U.S. interests in the country. Secretary of State Hull ordered the newly appointed minister to Saudi Arabia to inform King Ibn Saud and British representation in Saudi Arabia that Saudi Arabia and the United States would deal, henceforth, directly with each other in matters regarding arms transfers and not through the British as intermediary as had been the custom heretofore. And the United States further informed the British government that the U.S- believed that its contribution to King Ibn Saud's military needs should at least equal that of Great Britain's.¹³ The mission was followed in the fall of the same year by a visit to the U.S. by Prince Faisal in negotiations for U.S. arms aid. The February 1944 grant to Saudi Arabia of a seven million riyal Lend-Lease package represented then the culmination of those significant inroads which had been made in 1943.

The war prompted a view of Saudi Arabia as something more than an area wherein U.S. commercial interests were involved. What Aramco had started as a private commercial interest had developed to include both diplomatic and military ties. Thus, it is not surprising that President Roosevelt wished to meet

the leader of the tribal kingdom. Indeed, Roosevelt's image of the great King had been sparked many years earlier by people such as Charles Crane, Karl Twitchell and Lowell Thomas, and by the American press. Roosevelt may have considered Ibn Saud as a fellow man of his time, like himself and Churchill.¹⁴

In February 1945 while returning from Yalta, President Roosevelt met King Ibn Saud aboard the American cruiser U.S.S. Quincy in the Bitter Lakes of the Suez.¹⁵ Subsequent to their meeting, Roosevelt sent Ibn Saud a personal letter referring to the "memorable conversation we had not so long ago" and restating his promise that there would be no United States action in regard to the question of Palestine "without full consultation of both Arabs and Jews."¹⁶ It was also as a result of the meeting with Ibn Saud that Roosevelt remarked to Congress, "Of the problems with Arabia, I learned more about the whole problem, the Moslem problem, the Jewish problem, by talking with Ibn Saud for five minutes than I could have learned in exchange of two or three dozen letters."¹⁷

Two months later, Roosevelt was dead and Harry Truman succeeded him. A year later, in 1946, there occurred an open tension between the United States and Saudi Arabia, the root cause of which was to continue as a source of conflict between the two nations, however great and vast their other shared interests. The end of the war brought the question of

Palestine and the Jewish refugees to a peak. President Truman made a public appeal for the admission of 100,000 Jews to Palestine. Obviously offended, Ibn Saud sent President Truman a letter which was made public, recalling President Roosevelt's promise of no decisions without Arab and Jewish consultation.¹⁸ Within a few months, however, in February 1947, King Ibn Saud and his son, the Heir Apparent Saud, were in the United States visiting President Truman. During the visit, President Truman presented both King Ibn Saud and the Heir Apparent with Legion of Merit commendations for "support and encouragement to the cause of the Allies" during World War II.¹⁹

Any appeasement of the Saudis, however, whether intended or not, was rather short-lived. For United States de facto recognition of a Jewish State in May 1948 prompted strong reaction from Saudi Arabia. The American minister to Saudi Arabia, J. Rives Childs, forwarded to the Secretary of State a forecast of a possible Saudi break in relations with the United States. Further, he provided a rather bleak assessment of a situation with so many ominous possibilities that he was requesting the Consulate in Dhahran to confer with U.S. military authorities at Dhahran with a "view to perfecting without delay plans of evacuation...."²⁰ Although the situation never developed to the extent of Childs' worst fears, Malcolm Peck reports that Faisal, who was then

Foreign Minister, told Childs that he would have broken relations with the United States had he been in a position to do so.²¹ The Jewish state issue effected a thorn into the U.S.-Saudi relationship but other policy formulations of the era were to serve to strengthen it.

The Truman Doctrine, Marshall Plan, war in Korea, and American and European rearmament were all issues of the era serving to strengthen the evolving United States-Saudi Arabian relationship via oil. The post-World War II oil shortage scare, like that of post-World War I and that of a future era, served to emphasize the importance of Saudi Arabian oil. Oil exports from the United States to Europe decreased after the war and in 1948 the United States became, for the first time, a net importer of crude oil. Saudi Arabia's rapidly increasing production and proven reserves paralleled the increasing needs of the free world. Saudi Arabian crude production increased from less than one-half million barrels in 1938 to nearly eight million in 1944, over 21 million in 1945, and about 200 million barrels by 1950.²² By 1951, Middle Eastern oil was to supply 80% of the European Economic Recovery Plan needs, thus inextricably intertwining U.S. interests in Saudi Arabia via its Atlantic Pact allies.²³ It was then in support of these interests that within the era the U.S. Legation in Jidda was expanded to full Embassy status in 1949; the agreement covering the Dhahran

airbase was renegotiated in 1951, allowing U.S. access for a long-term basis (five years); and concurrently with the Dhahran agreement there evolved a Mutual Defense Assistance Program whereby Saudi Arabia became the first Arab state to be designated, by the United States, as a nation whose ability to defend itself was deemed important to the United States.²⁴

In 1957, there was great American concern over the inroads that Russia had made into the Middle East after the Suez War. As Lenczowski observed, 1955 was the watershed regarding Soviet relations with the Middle East. For it was in that year that they began rapprochement with non-communist governments in the area by offering economic, technical and military aid.²⁵ As a countermove, President Eisenhower proclaimed, in January 1957, the Eisenhower Doctrine as both a warning to the Soviets and an offer of aid, both economic and military, to any Middle Eastern state which requested it. Within a few weeks, King Saud was in Washington visiting President Eisenhower. This was Saud's first official visit to the U.S. since his father's death in November 1953 and his assumption of the title of King. After the meeting a joint communique was issued wherein Saud spoke of the purpose of his visit as "to continue close cooperation with the United States" and Eisenhower spoke, regarding military defense of Saudi Arabia, of his assurance to King Saud of

the willingness of the United States to "provide assistance for the strengthening of the Saudi Arabian armed forces."²⁶ King Saud returned to his country with a \$180 million increase in American economic and military aid to expand training programs for the Saudi Arabian Army, Navy and Air Force, and to improve Saudi civil aviation facilities. In return, the U.S. was granted another five-year basing right agreement on the Dhahran airbase.²⁷

However, that was to be the last agreement on Dhahran basing rights. For on March 19, 1961, the Saudi government announced that the agreement would not be renewed upon its official expiration on April 2, 1962. The perception of foreign military forces upon Arabian soil had become too much of a liability relative to both domestic and inter-Arab nationalist sentiment.

In the summer of 1962, King Saud's brother, the Heir Apparent Faisal, came to the United States. Officially, the trip was to undergo medical examinations but there is reason to believe that his exodus was also an expression of dissatisfaction with the state of government in Saudi Arabia. In September 1962, while Faisal was still in the United States, the monarchy in Yemen was overthrown by a military coup d'etat. There followed a civil war between forces loyal to the royalists and those loyal to the cause of the revolution. Within a month, President Nasser of Egypt had sent Egyptian

troops in support of the revolutionary forces. Thus Saudi Arabia now not only faced the fiscal and economic problems of King Saud's regime but the government also faced a crisis situation involving foreign intervention in a border state. Thus in October, Prince Faisal was persuaded to return to the Kingdom with the understanding that he would again be given free rein of government.

Upon Faisal's resumption of governmental control, President Kennedy sent a personal letter to Faisal dated October 25, 1962, wherein he recalled their White House discussion of three weeks prior and stated that he wanted it "understood clearly, that Saudi Arabia can depend upon the friendship and cooperation of the United States in dealing with the many tasks which lie before it in the days ahead." Further, President Kennedy assured Faisal of the U.S. support for "maintenance of Saudi Arabia's integrity."²⁸

Shortly thereafter, U.S. resolve in supporting Saudi Arabian territorial integrity was given opportunity for demonstration. In November 1962, Egyptian aircraft bombed Saudi territory adjacent to the border with Yemen as an act of retribution for Saudi support of royalist forces. The United States State Department issued a public statement deploring the incidents and making known U.S. "interest in the preservation of [Saudi Arabian] integrity."²⁹ A squadron of United States fighter aircraft was deployed to Saudi

Arabia as both a demonstration of U.S. resolve to Saudi Arabia and as a deterrent against further Egyptian bombings.

In 1965, there evolved another linkage in the United States-Saudi Arabian relationship which continues today, representing to both countries one of the most important of linkages. The United States Army Corps of Engineers' involvement in developing Saudi Arabian infrastructure has "no comparable program elsewhere abroad, neither in scope or context."³⁰ The Saudi Arabians' admiration of the quality of construction in the Dhahran airfield and terminal which had been turned over to them in 1962 prompted queries of further Corps involvement in Saudi Arabian nation-building. Thus in 1965, a country-to-country agreement was concluded between the U.S. Department of State and Saudi Arabian Ministry of Foreign Affairs whereby the Corps of Engineers would be consultant, planner, administrator and general overseer for military construction within Saudi Arabia. Costs are fully reimbursed by Saudi Arabia. The agreement has been extended three times with the consent of both governments: 1970, 1975 and 1978. As will be seen in a following section, the program remains one of the most visible, comprehensive and important of linkages in the U.S.-Saudi Arabian relationship.

With the struggle over Saudi Arabian political leadership permanently resolved in 1964, Faisal made his first official

visit the United States as King in June 1966. After visiting President Johnson, a rather non-impressive joint statement was issued wherein both "noted with approval the close and cordial relations which have long existed" between the two countries. However, the lack of any other substantive statements combined with the diplomatic colloquialism referring to "frank and comprehensive exchange of views" may suggest that all was not harmonious accord between these two leaders.³¹

During the 1967 Arab-Israeli war, United States-Saudi Arabian relations again became strained over U.S. policy regarding Israel. King Faisal placed an embargo on oil shipments to the United States although its consequences were far less than a similar action would be later in 1973. The United States was, in 1967, practically invulnerable to a Saudi Arabian oil embargo. Only 19% of American oil consumption consisted of imports and only 2.5% came from Saudi Arabia. The United States' short-fall was made up through imports from Iran and Venezuela, and utilization of an internal spare production capacity of four million barrels per day.³² Saudi Arabia abandoned their boycott within a month of implementation, thus allowing the incident to pass without significant effect upon the United States-Saudi Arabian relationship.

In May 1971, King Faisal visited President Nixon and in turn President Nixon visited King Faisal in Riyadh in July 1974.

In 1972, Saudi Arabia made a bid for strengthening the relationship. In an address to the Middle East Institute in Washington on September 30, 1972, Saudi Arabian Oil Minister Sheikh Yamani, called for "a commercial oil agreement between the two countries that would give Saudi Arabian oil a special place in this [United States] country."³³ The proposed agreement would have exempted Saudi Arabian oil from import restrictions and duties, and encouraged Saudi Arabian capital investment in the United States. The United States would have had first call on Saudi Arabian oil, apparently even at the expense of Europe and Japan.

There were inherent advantages for both countries. United States advantages would have included recycling of the growing American dollars being spent for oil imports and interdependency which would have diminished the possibility of interruptions of crude supplies to the country. Saudi Arabian advantages would have included a stable market for its increasing oil production and opportunity for safe, profitable investment for the revenues accrued therefrom. Saudi Arabian investment interests were mainly in the downstream facilities of oil production such as refineries, chemical plants and possibly even a share in the owners of Aramco-Exxon, Texaco, Mobil and Standard of California. United States' oil imports were then being "conservatively estimated to reach 12mmpbd by 1980" and Saudi Arabia was planning for a production capacity of

20mmbpd by the same time period.³⁴ The two escalating factors would then be mutually supportive.

The motivation for such an offer by Saudi Arabia was felt to be a fear that the United States would, in tackling its energy problems, "enter into arrangements with western hemisphere producers which would discriminate against Arab countries."³⁵ Saudi Arabia was concerned with the tendency to regard the Middle East as a volatile, basically anti-Western area. She was thus attempting to assure a future place for herself in the world oil market and economy.

However, the proposal never reached a state of development beyond just that -- a proposal. United States Department of State officials initially categorized the proposal as "interesting" but there was also speculation that such an agreement would signify "a new relationship with the United States."³⁶ In the end, the complexity and delicacy of such an agreement and the possible effect upon United States oil relations with other countries made the proposal untimely in the United States perspective.

Time moves quickly, however. Just one year later, on September 27, 1973, United States Acting Treasury Secretary William Simon was proposing to the Saudi Arabian Minister of State, Mr. Hisham Nazer, "an economic partnership between the United States and Saudi Arabia to ensure a continuing flow of oil to America."³⁷ Between Sheikh Yamani's 1972

proposal and the 1973 proposal of the United States Treasury Secretary, the United States had lifted oil import quotas in an effort to meet the country's rising energy demands with cheap Middle Eastern oil. The United States expected its then current imports from Saudi Arabia of 365mbpd to rise to 8.5mmmbpd by 1980.³⁸

However, the atmosphere had changed. Saudi Arabia now questioned whether or not such an arrangement was in its political interests. Political tensions between Israel and the Arab countries were peaking and there was strong feeling by the Arab countries that United States support of Israel was promoting "Zionist expansionism." Thus, in one short year, a drastic change had occurred in member perspectives within the United States-Saudi Arabian relationship. The United States was seeking a stronger linkage and Saudi Arabia was avoiding one. We now know that Egyptian President Sadat had visited with King Faisal in August 1973. Saudi Arabia probably knew in September then that pending some drastic development, the line for another Arab-Israeli war would soon be drawn.³⁹

B. POST-1973

In 1973 there began a series of events which were to prompt an eventual transformation of the United States-Saudi Arabian relationship -- a transformation wherein the

dependent member became less of a dependent and the independent became less of an independent.

As has been seen earlier, Saudi Arabia had always been unhappy with the United States policy toward Israel. Much of that first contact between FDR and Ibn Saud had been taken up with the subject of Palestine. And Truman and Ibn Saud also had public disagreement over the matter.⁴⁰ In 1973, however, the objections were much more specific. The Israeli occupation of Arab territories since the 1967 war and the Palestinian problem were points foremost in the Arab mind.

King Faisal was becoming increasingly frustrated by American support of what he felt to be Israeli expansionist policies. As a leader in the world Islamic movement, he was equally concerned about the question of Jerusalem and frequently expressed a desire to pray in the Aqsa Mosque as part of Arab Jerusalem. It must be remembered that his thoughts here were concerned not only with his role as a leader of world Islam but also his role as King of the Hejaz and thus protector of the holy cities -- one of which is Jerusalem.

Faisal worked diligently after July 1972 in an attempt to convince the Nixon administration to make its Middle East policy more "even handed." For it was in this month that Egypt expelled her Soviet advisors. Thus Faisal argued, U.S. support for Israel could no longer be justified by pointing

out the Soviet influence in Egypt. By mid-1973, however, there had been no change in U.S. policy.

In April 1973, Faisal sent Sheikh Yamani, the Saudi Minister of Petroleum and Mineral Resources, to Washington expressly to urge the Nixon administration to work for Israeli withdrawal from occupied territories. There was no favorable United States response.⁴¹ Having thus been frustrated in every attempt to date in changing U.S. policy, Faisal turned to that which he had avoided heretofore -- the oil weapon. Faisal had long advocated that oil and politics should be kept separate but now he began hints that the two elements could be mixed.

In May 1973, at a meeting with the chief executives of Aramco, King Faisal warned that unless there was a shift in unqualified U.S. support of Israel, the "traditional friendship for American business interest. . . in Saudi Arabia will not be preserved." He added further that he expected Aramco to use its influence to help make that change come about.⁴²

In response, Aramco effected a broad campaign to influence American foreign policy toward the Middle East. Aramco representatives relayed their fears to the Nixon administration but the response was summed up by Aramco in this way:

The general atmosphere was attentiveness to the message and acknowledgement that a problem did exist but a large degree of disbelief that any drastic action was imminent or that any measure other than those already underway

were needed to prevent such from beginning. The impression was given that some believe HM [His Majesty King Faisal] is crying wolf when no wolf exists.⁴³

U.S. military officials and congressional delegations visiting Saudi Arabia were briefed by Aramco that whereas it was in America's interests that Saudi Arabia continue its high levels of production, such levels were not necessarily always in the best interests of the Saudis. Thus, the U.S. should avoid any polarity which would alienate Saudi opinion by "adopting a neutral position on the Arab-Israeli dispute and a pro-American rather than a pro-Israel policy in the Middle East."⁴⁴ The individual Aramco partners also approached the American public. The New York Times carried a Mobil advertisement which stated that "the United States must recognize the legitimate interests and aspirations of the Saudis . . . because in the last analysis we need the oil more than Saudi Arabia will need the money."⁴⁵ Malcolm Peck reports that there were two basic American responses.⁴⁶ One group led by Secretary of State William Rogers and Secretary of State George Schultz felt that the Saudis were bluffing while another was inclined to take the threat seriously but saw no response feasible without upsetting Israeli and United States domestic politics. Thus, faced with the dilemma of any response upsetting one of the two opposing factions -- Israel or Saudi Arabia -- the Nixon administration withheld any response.

Faisal was undoubtedly informed of the Aramco efforts; however, he saw that effort, much as his own to date, as enthusiastic and sincere but unsuccessful. Thus, when the Egyptian President Sadat visited Riyadh in August 1973 to relay his war plans, Faisal made a decision. Saudi Arabia was able to use the oil weapon. Faisal reportedly told Sadat: "Give us time, we don't want to use the oil as a weapon in a battle which goes on for two or three days and then stops. We want to see a battle which goes on long enough for the world opinion to be mobilized."⁴⁷

On October 6, Egyptian forces crossed the Suez Canal and penetrated the Israelis' Bar-Lav line, thus beginning the war which no official U.S. government consensus had expected. Israel suffered unexpected military reverses and war material was being rapidly depleted, thus prompting the possibility of resupply from the United States. On October 12, the four executive officers of Aramco sent a message to Washington urging the Nixon administration not to resupply Israel with arms. They stressed "more than our commercial interests in the area are now at hazard" in that Japan and Western Europe reliance on Middle East oil was so deep that they would in no way jeopardize their own positions. Thus, should the United States jeopardize its own position it may result in "Japanese, European and perhaps Russian interests largely supplanting United States presence in the [Middle East] area"⁴⁸

However, U.S. resupply of Israel may have already begun, for U.S. Secretary of State Kissinger reportedly told the Israeli Ambassador to the United States on October 8 that Israeli El Al aircraft could begin picking up supplies the following day provided their Israeli markings were obliterated.⁴⁹ On October 13, however, all attempts at being discreet about resupply were abandoned when the United States administration committed itself to open resupply of Israel by launching U.S. Air Force giant C-5 transport aircraft. On October 14, the first C-5 arrived in Israel initiating an airbridge capable of one thousand tons per day.⁵⁰

On October 19, President Nixon asked the U.S. Congress to approve \$2.2 billion in emergency aid to Israel. On October 20, the Saudi government announced that "in view of the increase of American military aid to Israel, the Kingdom of Saudi Arabia has decided to halt all exports to the United States of America. . ."⁵¹ While a cease fire was declared on October 22, the embargo was not lifted until March 19, 1974.⁵²

The United States had suffered both economically and strategically from the embargo. During the embargo, Saudi Arabia threatened to nationalize Aramco at "gunpoint" if the consortium had sought to circumvent the embargo and Aramco, realizing that the United States could not intervene, complied fully.⁵³ The embargo was so effective that the United States

could not get Aramco oil through third party distributors. However, the four American parent companies and three other of the "seven sisters" pooled their worldwide resources to mitigate the effects of the embargo.⁵⁴ Non-Arab well head production was increased and the oil companies allocated production as equitably as possible, thus keeping shortages in any individual country to a minimum. However, to a degree Aramco's forecast came true. For in resupplying Israel by airlift, the United States was denied landing rights by all NATO nations excepting Holland and Portugal.⁵⁵ Thus, the NATO nations had chosen uninterrupted Arab oil flow over allied friendship.

While there is wide variance in subjective evaluation of the overall effect of the embargo, there is little doubt that it made a point. Saudi Arabia was no longer a silent, dependent partner in the "special relationship." It could no longer be taken for granted. Politics and economics had propelled Saudi Arabia to a position of preeminence in the world. The oil price had increased Saudi revenues from \$4.3 billion in 1973 to \$22.6 billion in 1974 and the gross domestic product increased by over 200% in a year. Her possession of vast oil reserves enabled her political influence to spread throughout the world.⁵⁶

The point had undoubtedly been made with the Nixon administration just as it had with the world. For afterwards

there was intense international scrambling by individual countries to attempt to make deals and establish institutional structures to forestall such an occurrence again. President Nixon, President Ford and Mr. Kissinger worked both aspects -- that of the interest of the international community and that of the interests of the United States.

In November 1973, President Nixon announced Project Independence, an ambitious, elusive plan for U.S. energy independence by 1980. In September 1974 in a speech to the United Nations General Assembly, President Ford spoke of global economic interdependence and cooperation as the only viable future approach if human survival was to be guaranteed.⁵⁷ Likewise in November 1974, Secretary of State Kissinger, speaking in Chicago, called for oil-consuming nations to conserve, search for alternate energy sources and cooperate.⁵⁸ In September 1974, as a result of U.S. initiative, the major oil-importing countries concluded the Brussels agreement establishing the International Energy Agency (IEA) wherein emergency oil sharing agreement members would share oil with any member nation boycotted in the future.⁵⁹ And finally, the most important outcome for this study occurred as a result in part of bilateral discussions between U.S. Secretary of State Kissinger and Saudi Arabian Heir Apparent Prince Fahd.

On June 8, 1974, as a result of Secretary Kissinger and Prince Fahd's discussions, there evolved the United States-Saudi Arabia Joint Commissions on Economic and Security

Cooperation. Through these commissions the governments "expressed their readiness to expand cooperation in the fields of economics, technology, and industry, and in the supply of the Kingdom's requirements for defensive purposes."⁶⁰ These two commissions are formal organizational structures which, while acknowledging interdependence between the United States and Saudi Arabia in the fields of economics and security, provide facilities for advancement of that interdependence to the mutual benefit of both countries. The United States receives for its part, in addition to oil, a Saudi interest in the vitality of the economies of the Western World while the Saudis receive, for their part, technological goods and services to further their internal development and defense.

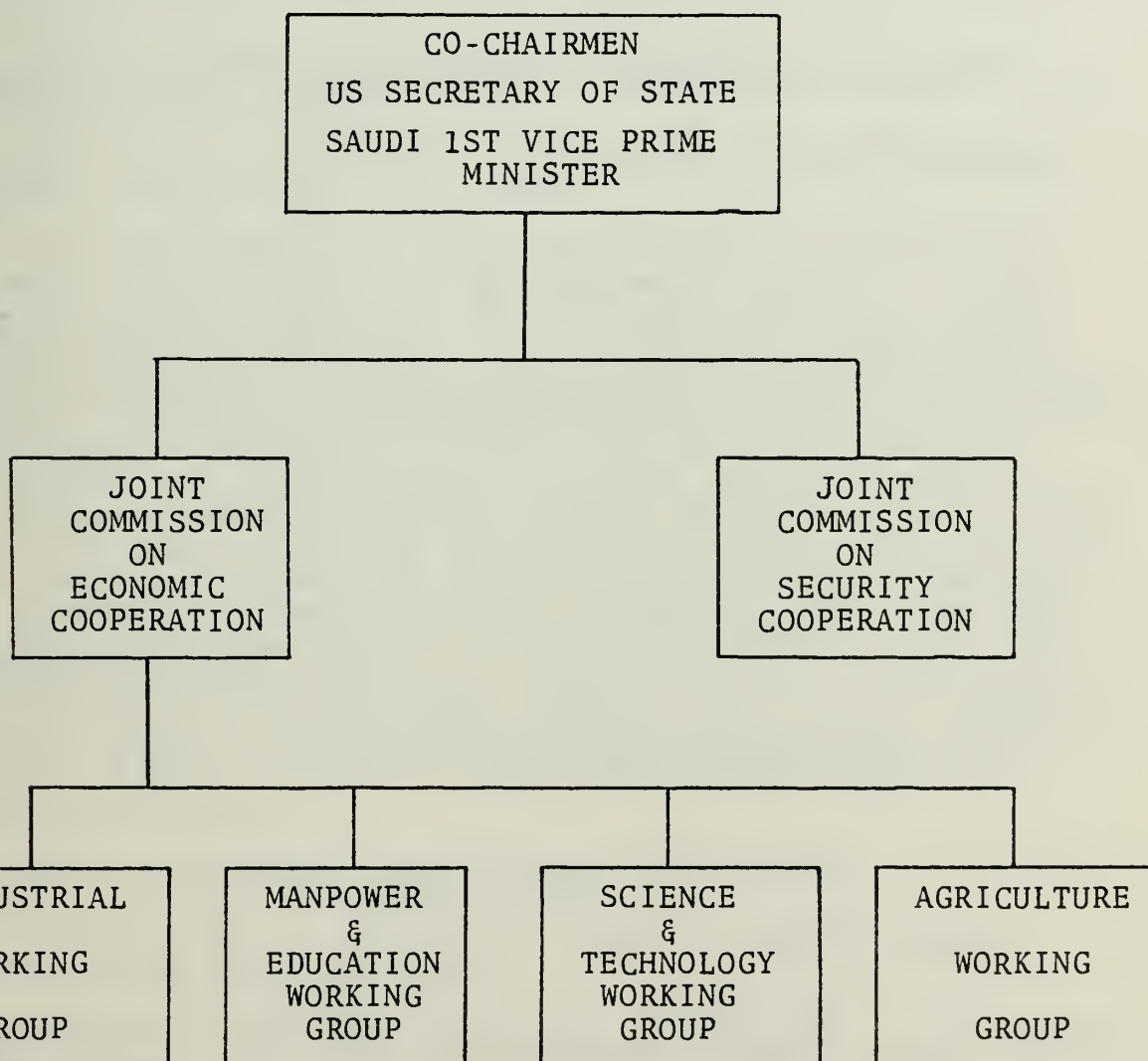
The U.S. Secretary of the Treasury and his Saudi counterpart, the Minister of Finance and Economy serve as co-chairmen of the economic commission while the U.S. Assistant Secretary of Defense for International Security Affairs and the Saudi Vice Minister of Defense serve as co-chairmen of the security commission.

The first and most significant accomplishment of the Joint Commission on Security was a survey conducted by the U.S. Department of Defense, carried out at Saudi Arabian request, on the kingdom's defense needs for the next ten years. Resulting from that survey, there evolved a long-range plan of order and priority for upgrading and modernization of the

kingdom's defense structure. The plan was the most significant and encompassing effort to date within the kingdom. It recognized the disparity between \$1.5 trillion in resources (valued at 1976 prices) in a terrain as vast as the area of the United States east of the Mississippi and limited defense potential. The plan calls for maximization of the defense potential through mobility and superior technological effectiveness.

FIGURE II-1

United States-Saudi Arabian Joint Commissions
on
Economic and Security Cooperation



Source: Emile A. Nakhleh, The United States and Saudi Arabia (Washington: American Enterprise Institute for Public Policy Research, 1975) p. 27.

FOOTNOTES

¹Philby gives evidence of rather half-hearted interest on the part of Eastern General. Saud's termination of the concession in 1928 was a reaction to no response on the part of the concessionaire after Saud had served notice of intent to cancel. Furthermore, Eastern General had only advanced rental for two years; thus in 1928, they were in Ibn Saud's mind two years in arrears. Harry St. John Philby, Saudi Arabia (New York: Frederick A. Praeger, Inc., 1955) p. 329.

²Helen Lackner, A House Built on Sand -- A Political Economy of Saudi Arabia (London: Ithica Press, 1978) p. 30.

³See H. St. John Philby, Forty Years in the Wilderness (London: Robert Hale Ltd., 1957).

⁴Various authors of equal credibility cite differing amounts. Philby refers to 50,000 pounds of gold. Philby, Saudi Arabia, p. 331. K. S. Twitchell refers to 30,000 pounds in gold sovereigns. K. S. Twitchell, Saudi Arabia: With an Account of the Development of Its Natural Resources, 3d ed. (Princeton: Princeton University Press, 1958) p. 222. David Howarth speaks of a loan of 30,000 gold sovereigns, an annual rent of 5000 gold sovereigns, another loan of 20,000 gold sovereigns after eighteen months, two more loans of 50,000 each if oil was discovered in commercial quantity, and a royalty of one gold sovereign for each five tons of oil production. David Howarth, The Desert King: Ibn Saud and his Arabia (New York: McGraw-Hill, 1964) p. 222. The account of Stephen Longrigg, a representative of the competing British Iraq Petroleum Company, very nearly confirms that of Howarth. Longrigg, Oil in the Middle East, 3d ed. (London, 1908) p. 108. In 1933, the British pound was worth U.S. \$4.87.

⁵K. S. Twitchell, Saudi Arabia, pp. 230-231.

⁶"Saudi Arabia: Bullish on America," MERIP Reports, No. 26, March 1974, pp. 5-22.

⁷Robert E. Sherwood, Roosevelt and Hopkins: An Intimate History (New York: Harper & Brothers, 1948), p. 285.

⁸The amount of aid is widely disputed. Lenczowski speaks of an initial loan of \$400,000 which increased progressively until reaching 2.5 million in 1945. George

Lenczowski, The Middle East in World Affairs, 4th ed. (London: Cornell University Press, 1980) p. 581. Fisher speaks of \$34 million in direct American Lend Lease Funds and \$50 million in indirect British funds. Sidney Nettleton Fisher, The Middle East, A History, 3d ed. (New York: Knopf, 1977) pp. 579-580. And R. Mikesell cites \$17.5 million by 1945. R. Mikesell, "Monetary Problems of Saudi Arabia," Middle East Journal, April 1947.

⁹See Foreign Relations of the United States, 1944, Vol. V (Washington: U.S. Government Printing Office) pp. 734-736.

¹⁰Diplomatic relations between the United States and Saudi Arabia were first established in 1939; however, this was merely via accreditation of the American minister in Cairo to Saudi Arabia. A permanent U.S. legation was established in 1942 but the senior rank of U.S. representation was only chargé. See George E. Kirk, The Middle East in the War: Survey of International Affairs 1939-1946 (New York: Oxford University Press, 1952) p. 357.

¹¹Foreign Relations of the United States, 1944, Vol. V, pp. 663 and 666-667.

¹²From October 1944 to July 1946, a small United States Military Mission consisting of 12 officers and men was stationed in Saudi Arabia to train the Saudis in the use and care of military lend-lease items being shipped to that country. In response to a request from King Ibn Saud, a new military mission to Saudi Arabia was organized in March 1945, but during subsequent negotiations the King expressed fears that further military assistance would be misrepresented and opposed by his tribal chieftans, by his external enemies and by the British. Thus the King for the time being declined such military assistance while letting it be known that his decision was not final. Foreign Relations of the United States, 1946, Vol. I (Washington: U.S. Government Printing Office, 1972) p. 1159.

¹³Foreign Relations of the United States, 1943, Vol. IV, pp. 853, 871 and 907.

¹⁴For an analysis of the role of perceptions created by personal contacts and the press in U.S. foreign policy toward Saudi Arabia, see Malcolm C. Peck, "Saudi Arabia in United States Foreign Policy to 1958: A Study in the Sources and Determinants of American Policy," Ph.D. dissertation, Fletcher School of Law and Diplomacy, 1970.

¹⁵For an interesting account of King Ibn Saud's visit with Roosevelt, see David Howarth, The Desert King, pp. 251-256. This same account suggests that Churchill was somewhat peeved that Roosevelt had not told him until the last day of Yalta that he planned to meet with Ibn Saud and other Middle Eastern potentates. Churchill then "burned up the wires of all his diplomats demanding to see the same rulers as Roosevelt."

¹⁶For full text of Roosevelt's letter to Ibn Saud, see Ralph H. Magnus, ed., Documents on the Middle East (Washington: American Enterprise Institute for Public Policy Research, 1969) p. 144.

¹⁷Robert E. Sherwood, Roosevelt and Hopkins: An Intimate History, pp. 871-872.

¹⁸For full text of King Ibn Saud's letter and President Truman's reply, see New York Times, October 18, 1946, p. 1. And Public Papers of the President, Harry S. Truman, 1946 (Washington: USGPO, 1962) p. 467.

¹⁹For text of citations accompanying the awards see Public Papers of the President, Harry S. Truman, 1947 (Washington: U.S. Government Printing Office, 1963) pp. 133-134.

²⁰Foreign Relations of the United States, 1948, Vol. V, Part 2 (Washington: U.S. Government Printing Office, 1976) p. 995.

²¹Faisal felt that the United States had again betrayed the Arabs in general and Saudi Arabia in particular by moving in regard to the Palestine issue without Arab consultation. See Foreign Relations of the United States, 1948. Vol. V, Part 1 (Washington: U.S. Government Printing Office, 1975) p. 210 and Malcolm Peck's article, "The Saudi-American Relationship and King Faisal" in King Faisal and the Modernization of Saudi Arabia, Willard A. Beling, ed. (Boulder: Westview Press, 1980) pp. 230-245.

²²Arabian American Oil Co., Aramco Handbook: Oil and the Middle East, rev. ed. (Dhahran: July, 1968) pp. 134-135.

²³See U.S. Congress, Senate, Committee on Foreign Relations, European Recovery Program, Hearings before the Committee on Foreign Relations. 80th Cong., 2d sess., January 1948, pp. 219-220 and Leonard Fanning, Foreign Oil and the Free World (New York: McGraw-Hill, 1954) p. 271.

²⁴ Department of State Bulletin, Vol. XXV, No. 630 (July 1951) p. 150. For text of the second Dhahran agreement see Documents on American Foreign Relations, 1951, Vol. XIII (Princeton: Princeton University Press, 1953) pp. 549-601. Until 1951, Ibn Saud had been reluctant to extend leasing rights at Dhahran on more than a recurring annual basis. See Foreign Relations of the United States, 1949, Vol. I, p. 371; 1950, Vol. I, p. 339 and 1951, Vol. I, p. 376.

²⁵ George Lenczowski, Soviet Advances in the Middle East (Washington: American Enterprise Institute for Public Policy Research, 1974) p. 1.

²⁶ For full text see Documents on American Foreign Relations, 1957 (New York: Harper and Brothers, 1958) pp. 284-286.

²⁷ Dwight D. Eisenhower, Waging Peace, 1956-1961 (Garden City, New York: Doubleday, 1965) p. 120 and Department of State Bulletin, Vol. XXXVI, No. 951 (April 1957) pp. 680-681.

²⁸ For full text of President Kennedy's letter to Faisal see Magnus, Documents on the Middle East, p. 112.

²⁹ See Richard P. Stebbins, ed., Documents on American Foreign Relations, 1963 (New York: Harper & Row, 1964) pp. 260-261.

³⁰ U.S. Congress, House, Committee on Foreign Affairs, Activities of the United States Army Corps of Engineers in Saudi Arabia, Hearing before the Subcommittee on Europe and the Middle East. 96th Cong., 1st sess., June 25, 1979, p. 40.

³¹ For complete text of the joint communique, see Public Papers of the President, Lyndon B. Johnson, 1966, Vol. I (Washington: United States Government Printing Office, 1967) pp. 640-646.

³² Louis Morano, "Multinationals and Nation-States: The Case of Aramco," Orbis (Summer, 1979) pp. 447-469.

³³ "U.S. Studying Saudi Plan for Oil Investments Here," New York Times, October 3, 1972, p. 61.

³⁴ "Overhaul for Mideast Oil," New York Times, October 15, 1972, Section 3, p. 1.

³⁵"Saudi Arabia Makes Conditional Offer of Assured Oil Supply to U.S.," The Times (London), October 3, 1972, Section III, p. 1.

³⁶"U.S. Studying Saudi Plan for Oil Investment Here," p. 61.

³⁷"U.S. Offers Saudi Arabia Economic Partnership in Return for Oil Guarantee," The Times (London), September 29, 1973, p. 17.

³⁸Ibid.

³⁹Mohammed Heikal, The Road to Ramadan (London: Fontana, 1976) p. 266.

⁴⁰See pages 37-38.

⁴¹Malcolm C. Peck, "The Saudi-American Relationship and King Faisal," p. 231.

⁴²U.S. Congress, Senate, Committee on Foreign Relations, Multinational Corporations and United States Foreign Policy, Hearings before the Subcommittee on Multinational Corporations. 93d Cong., 2d sess., 1974, pt. 7, p. 509. (Hereafter referred to as MNC Subcommittee Hearings.)

⁴³MNC Subcommittee Hearings, pt. 7, p. 509.

⁴⁴MNC Subcommittee Hearings, pt. 7, p. 528.

⁴⁵New York Times, June 21, 1973, p. 30. Anthony Sampson states that the ad was considered so controversial by the New York Times that it was transferred from Mobil's normal advertisement column -- opposite the editorial page. Anthony Sampson, The Seven Sisters (New York: Viking Press, 1975) p. 246.

⁴⁶Peck, "The Saudi-American Relationship and King Faisal," pp. 231-232.

⁴⁷Heikal, The Road to Ramadan, p. 266.

⁴⁸MNC Subcommittee Hearings, pt. 7, p. 547.

⁴⁹Matti Golam, The Secret Conversations of Henry Kissinger (New York: Quadrangle Books, 1976) p. 64 and Marvin & Bernard Kalb, Kissinger (Boston: Little, Brown, 1974) pp. 462-463.

⁵⁰For an authoritative account of the U.S. effort in resupplying Israel, see Aviation Week and Space Technology, Dec. 10, 1973, pp. 16-19.

⁵¹George Lenczowski, Middle East Oil in a Revolutionary Age (Washington: American Enterprise Institute for Public Policy Research, 1976) p. 14.

⁵²Morano, p. 467.

⁵³U.S. Congress, Senate, Committee on Foreign Relations, Report on Multinational Corporations and U.S. Foreign Policy, 93d Cong., 2nd sess., 1975, p. 146. (Hereafter referred to as MNC Full Committee Report.)

⁵⁴Exxon, Texaco, Standard, Mobil, Gulf, Royal Dutch Shell and British Petroleum are the predominant oil companies in the world oil industry and are often referred to as the "Seven Sisters." For an excellent narrative on them, see Anthony Sampson, The Seven Sisters (New York: Viking Press, 1975).

⁵⁵The refueling problems incurred resulted in subsequent revisions of U.S. Air Force airlift strategy and equipment to minimize such disadvantages in the future. Training was increased in air-to-air refueling and those aircraft without air-to-air refueling capability were modified to include air refueling capability.

⁵⁶The Middle East and North Africa 1976-1977 (London: Europa, 1977) p. 608.

⁵⁷For full text, see Washington Post, September 19, 1974, p. 1.

⁵⁸"Energy Crisis: Strategy for Cooperative Action," a speech by Secretary of State Henry Kissinger (Washington: U.S. Department of State, Bureau of Public Affairs, November 14, 1974) p. 1.

⁵⁹Current IEA members include Belgium, Canada, Denmark, Germany, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Spain, Sweden, Switzerland, Turkey, Britain and Norway. Klaus Knoor and Frank Traeger, eds., Economic Issues and National Security (Lawrence, Kansas: National Security Education Program of New York University, 1977) p. 288.

⁶⁰See Statement of Richard R. Violette, Director of Sales Negotiations, Defense Security Assistance Agency, before House Subcommittee on Near East and South Asia,

July 30, 1974, Congressional Record and U.S. Congress, House, Committee on Foreign Affairs, The Persian Gulf, 1974: Money, Politics, Arms and Power (Washington: U.S. Government Printing Office, 1975) pp. 5-14.

III. CURRENT STATE OF THE RELATIONSHIP

From all that has gone on before one can see that there is now a special relationship between the United States and Saudi Arabia. That relationship is partly a process of evolutionary events which started nearly a half-century ago and partly a result of events which have occurred within the last decade. The two nations have reached a significant level of interdependence wherein there are vested national interests each in the other.

From the United States perspective there is interdependence with Saudi Arabia in areas of: U.S. balance of payments; stability of the dollar as the primary, singular world currency; rate of world economic development; promotion of U.S. interests in the Persian Gulf region; promotion of U.S. interests in the Middle East region; promotion of U.S. interests in the Islamic world; and assistance in the U.S. objective of an overall Arab-Israeli solution.

Similarly, from a Saudi Arabian perspective there is interdependence with the United States in Saudi Arabian internal and external political stability; internal development and modernization; financial investments; petroleum markets; and national security.

That which is perceived as national interest can be very much a value judgment; thus there is room for wide

interpretation. But in this chapter, the author has tried to minimize value judgment and emphasize those national interests which are evidenced by substance such as espoused and enacted foreign policy, organizational structures, commercial transactions, alliances, treaties and associations.

This chapter then details the current national interests which sustain the United States-Saudi Arabian relationship. That which has occurred in the past has been combined with current evidence of substance, under the limitations previously cited, to conclude that there are five broad categories of national interests between the two countries. They are: (1) geostrategic; (2) oil; (3) economic; (4) political and (5) military. It will be evident that the interests are not always mutually shared to the same degree and in some cases may be one-sided. However, the five categories basically cover the most substantive sustenance of the "special relationship."

A. GEOSTRATEGIC INTERESTS

A former United States Ambassador to the Middle East has noted that the very term "Middle East" does not refer to characteristics internal to the area, but arose out of the "relations to forces which lie beyond its borders, to external centers of power."¹ His explanation of the term's origin well describes the geostrategic importance of the region relative to global security and the international

order. While the Middle East is the global geostrategic focal point, Saudi Arabia is the regional geostrategic focal point.

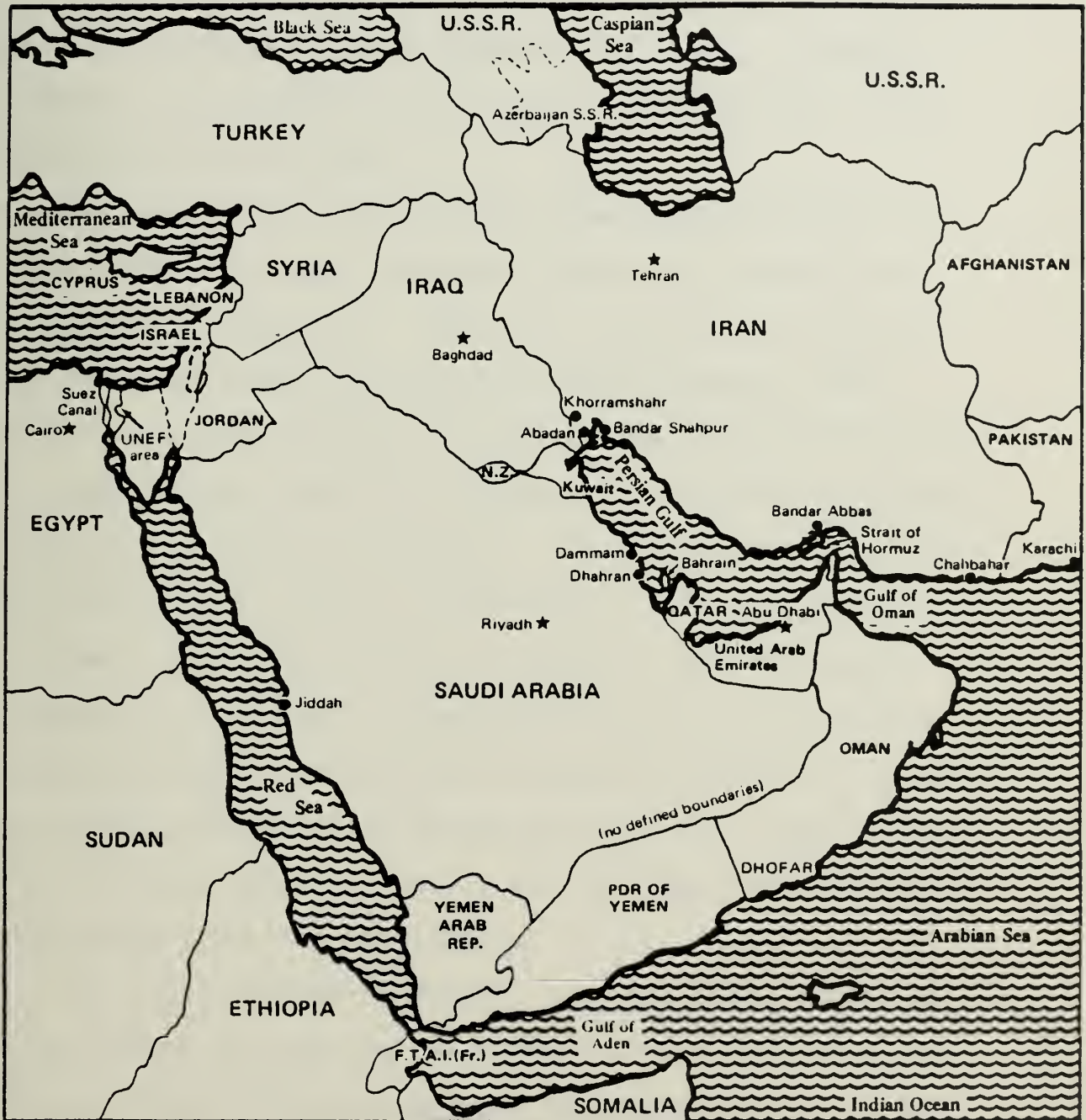
The Arabian Peninsula occupies a position of geostrategic prominence in regard to: the Middle East; the Persian Gulf; the Red Sea and Horn of Africa; several strategic waterways; and the Arab-Israeli conflict. Comprising four-fifths of the peninsula, Saudi Arabia is without question the dominant power on the peninsula whether measured in land area, wealth, or (excepting North Yemen) population.

The Middle East is located at the junction of three continents and thus forms a strategic crossroad: a land, air and sea bridge joining Asia, Africa and Europe. Saudi Arabia dominates that junction both as geographic center and as the largest single land mass within the juncture. Closing or restricting access to those bridges would have considerable adverse effect upon both the United States and the free world as a whole.

The Persian Gulf represents a major source of energy for the United States and, even more, for its European and Japanese allies. Saudi Arabia commands the western shore of the Gulf. To the west, Saudi Arabia commands the eastern shore of the Red Sea and the eastern approaches to the Horn of Africa. A significant portion of Europe's oil traverses the Red Sea, a much shorter route than going

FIGURE III-1

Geostrategic Importance of Saudi Arabia



Source: Robert G. Irani, "U.S. Strategic Interests in Iran and Saudi Arabia," Parameters, Vol. VII, No. 4, 1977, p. 253.

around the African Cape. The Red Sea route also provides oil for the United States Mediterranean fleet.

Saudi Arabia commands the eastern shore of the Straits of Turan -- Israel's only southern sea access. Egypt's closure of the straits in 1967 was one precipitant of the Arab-Israeli war of 1967.

Although Saudi Arabia is not immediately adjacent to three other strategic waterways, its close proximity is of strategic importance. They are the Straits of Hormuz, the Suez Canal and the Straits of Bab-el-Mandeb. Over half of the free world's oil imports, two-thirds of European oil imports and nearly three-quarters of Japan's oil imports traverse the Straits of Hormuz. Of direct concern to the United States is the fact that nearly 15% of the petroleum consumed in the United States in 1979 -- 31% of imports -- traversed the straits. Looking at U.S. allies, over 50% of Western Europe's petroleum consumption and 70% of Japan's petroleum consumption traversed the straits.² And last but certainly not least, virtually all of Saudi Arabia's export production traverses the straits.³

The Strait of Bab-el-Mandeb, like the Suez, serves as a passageway for substantial shipping traffic between the Mediterranean and Indian oceans. Additionally, it serves as a route of approach for sea cargo destined for the Saudi port of Jidda, Jordan's port of Aqaba, Israel's port of

Elat and various other Egyptian, Sudanese and Ethiopian ports. Like the Suez Canal and the Strait of Turan, Bab-el-Mandeb plays a potentially significant role in the Arab-Israeli conflict. Each is bounded on both sides by Arab or Arabic speaking countries and serves as the only passageway for the Israeli port of Elat. Ship passage through Bab-el-Mandeb in the mid-1970's averaged seventy ships per day.⁴

B. OIL INTERESTS

What started as a pure economic venture for Socal and Ibn Saud in 1933 very quickly turned into a matter of national interests for both countries. It has already been noted how in 1943 both diplomatic representation and financial aid were extended to Saudi Arabia by President Roosevelt's administration because of oil. Within seven years there occurred another event prompted by national interests of both countries.

As the decade of the 1950's started, Saudi Arabia was being paid a twenty-one cent royalty on each barrel produced while Aramco was netting \$1.10 after taxes.⁵ Saudi Arabia had heard of a Venezuelan agreement whereby the producer and government shared profits equally and began pressing Aramco for an increased share of profits. Aramco was, of course, highly renitent to cut its income by half.

There was at the same time within United States foreign policy a concern for the stability of conservative governments within the Arab world. Perceptions were that it would be in the United States' national interest for such governments to be on a more sound financial basis.

There evolved out of all this a policy enactment which solved the problems of all three participants -- the United States Government, the Saudi Arabian Government and Aramco.

The U.S. Treasury Department in the summer of 1950 agreed at the urging of the Department of State to a system whereby companies who increase their payments to oil-producing governments would be allowed to reduce their U.S. tax payments correspondingly.⁶

The result of this arrangement was to vastly increase the financial income of the Saudi Arabian government while reducing the taxes paid to the U.S. government by Aramco. Another consideration was the fact that oil prices would not have to be increased to cover the new "royalties." Obviously, U.S. tax revenues decreased significantly -- over \$50 million in the first year after the decision.⁷ Saudi Arabian Government revenues from Aramco increased similarly from \$39.2 million in 1949 to \$111.7 million in 1950.⁸

The mutual interests of the United States and Saudi Arabia were again protected in 1953 via the intermediary -- Aramco. A year earlier a National Security Council memorandum had spoken of the interdependence of political

stability in the Middle East and the government incomes derived from the rate and terms on which oil is produced.

It stated that

Since the rate and terms [oil quantity and price] are to a large extent under the control of the companies. . . the American oil operations are, for all practical purposes, instruments of our foreign policy toward these countries.⁹

It naturally follows then that any government attempt at weakening those instruments would be the equivalent of self-abatement. It is not surprising then that the Eisenhower administration deterred a Justice Department attempt to take antitrust action against the Aramco partners by issuing a directive stating: "It will be assumed that the enforcement of the antitrust laws against the Western oil companies operating in the Near East may be deemed secondary to the national interest. . . ." ¹⁰ The continued availability of oil was thus placed ahead of domestic legal considerations.

As an effective instrument of foreign policy, however, Aramco had lost some of its clout and was due to lose more. There were two root causes. One, the Tehran Pricing and Participation Agreement of 1971 was the first of several agreements to follow in which Saudi Arabia would assert more and more control of prices and production. Before 1971, their control had been minimal, especially after oil left Saudi Arabian ports. And secondly, Saudi Arabia completed a participation agreement with Aramco in 1972 whereby the

Saudi Ministry of Petroleum and Mineral Resources (Petromin) would assume a 25% share in Aramco in return for agreed upon compensation to Aramco shareholders. However, partly as a result of the 1973 War, the Aramco position subsequently eroded to 40% ownership for the Aramco partners and 60% for Petromin. As of this writing, negotiations are still underway for 100% takeover by Petromin which will reportedly be retroactive to January 1, 1976.¹¹

Although negotiations have been carried out in great confidentiality, it is assumed that even after Petromin assumes full ownership, the arrangement will continue to be one wherein Aramco continues a marketing role with a certain allocation of that which has been lifted by the company. In 1979, Petromin took 1.3 mmbpd for direct government-to-government sales and Aramco marketed the remainder -- 8.5 mmbpd.¹²

While the policy instrument has been weakened, the policy interest has not been so. Instead, the U.S. national interest in Saudi Arabia has steadily increased. Likewise, Saudi Arabia's own national interests have become of a world order in magnitude and notoriety. The critical importance of her status as an oil producer is now more of a fact of life than ever before. There could be no other consequence in a world where the gap has narrowed between energy supply and demand. For Saudi Arabia:

- Possesses the world's largest proven reserves of petroleum -- 25% of the world's total.
- Produces approximately 20% of the free world's total crude production.
- Ranks along with the United States and the Soviet Union as the top three world producers of petroleum.
- Is the world's largest exporter of petroleum.

While her reserves presently rank as the world's largest, the ultimate recoverable total is wrapped in vaguery and contradiction as is the tendency for all oil producers. The Saudi Arabian Government cited exploitable reserves in 1977 as 153 billion barrels while Aramco cited 110 billion "proved" and 177 billion "probable." Both calculations are probably cautious and underestimates. Aramco stated in a 1973 memorandum which was subsequently published that ultimate extraction could be as much as "245 billion barrels."¹³ In any event, using the 177 billion figure and a 10 mmbpd average production figure, one sees enough crude for 50 years.¹⁴

In assessing U.S. direct interests in Saudi Arabia, the U.S. needs continued access to Saudi oil. "Access" infers: (1) availability of oil imports in quantities adequate to meet United States domestic demands; (2) uninterrupted flow; and (3) at prices which do minimal damage to the United States economy. With 1979 imports supplying about 42% of U.S. inland oil consumption, Saudi Arabia ranks as the leading supplier. Her contribution amounted to 17% of U.S. imports while Nigeria ran a distant second at 14%. Figure

III-2 and Table III-1 give a more comprehensive picture of U.S. direct interests in Saudi Arabian oil.

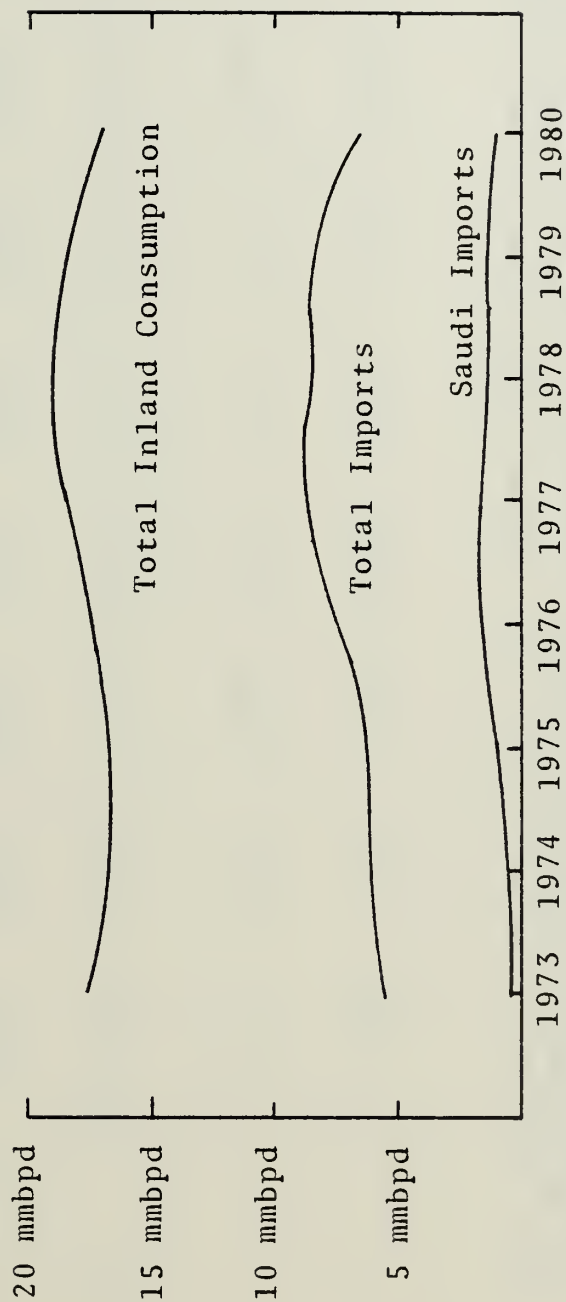
Of a less direct U.S. interest is the contribution that Saudi Arabia makes to allied oil requirements. Both Western Europe and Japan are much more dependent on imported oil than the United States. The United States still has today an interest in European and Japanese access to petroleum just as it did under the Marshall Plan. Western Europe currently depends on imports for roughly 90% of its petroleum requirements while Japan is totally dependent on imported oil. Saudi Arabia is the largest single supplier to both -- over 20% of Western Europe's imports and over 30% of Japan's imports. Figures III-2, III-4, and Tables III-2 and III-3 give a more complete picture of the linkages between Western European, Japanese and Saudi oil.

From a Saudi perspective, oil policy presents a dilemma. In an economy where crude production accounts for 75% of the GNP and the majority of all government revenues, the simplest approach would seem to be a matching of production to revenue requirements. However, the kingdom has never taken such a simplistic approach. Saudi oil production and pricing are determined by many different factors, including (1) domestic revenue requirements, (2) OPEC stability, (3) world market stability, (4) consumer economies and (5) third world interests. The Saudi oil minister, Sheikh

FIGURE III-2

United States Crude Oil Consumption and Imports from Saudi Arabia

Million Barrels per Day (mmbpd)



Source: Same as Table III-1.

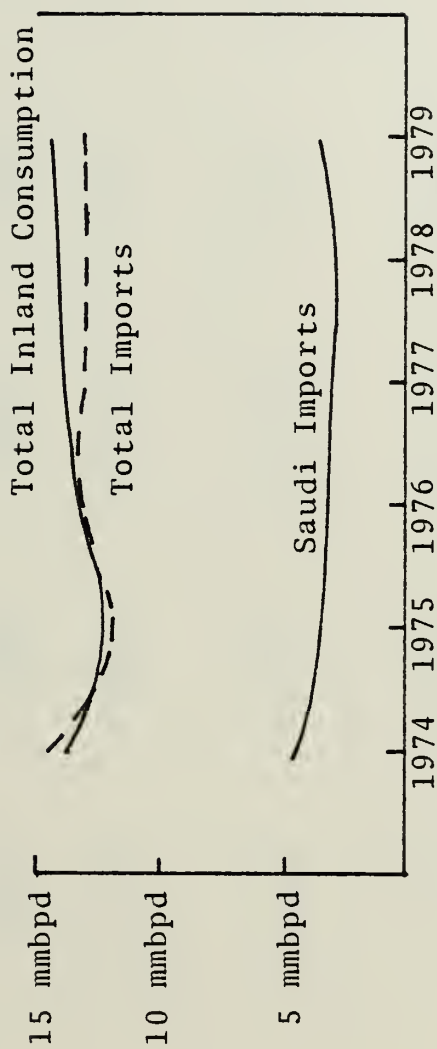
TABLE III-1

U.S. Oil Consumption and Imports
from Saudi Arabia
(Thousand barrels/day)

	<u>Pre- Crisis 1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Total Consumption	17,308	16,629	16,321	17,461	18,431	18,847	18,488	16,900
Total Imports	5,471	6,090	6,030	7,295	8,744	8,374	8,460	6,500
Saudi Imports	599	680	850	1,371	1,515	1,234	1,445	1,150

SOURCE: Data compiled by author from: U.S. Central Intelligence Agency, International Oil Developments Statistical Survey; U.S. Central Intelligence Agency, National Foreign Assessment Center, Handbook of Economic Statistics, 1980 and earlier issues; U.S. Central Intelligence Agency, National Foreign Assessment Center, International Energy Statistical Review; U.S. Department of Energy, International Petroleum Annual; and U.S. Department of Interior, Bureau of Mines, Minerals Yearbook.

FIGURE III-3
Western European Oil Consumption and Imports from Saudi Arabia
Million Barrels per Day (mmbpd)



Source: Same as Table III-1.

Note: Imports may exceed total inland consumption due to stockpiling, bunkering and refinery losses which are not included in inland oil consumption.

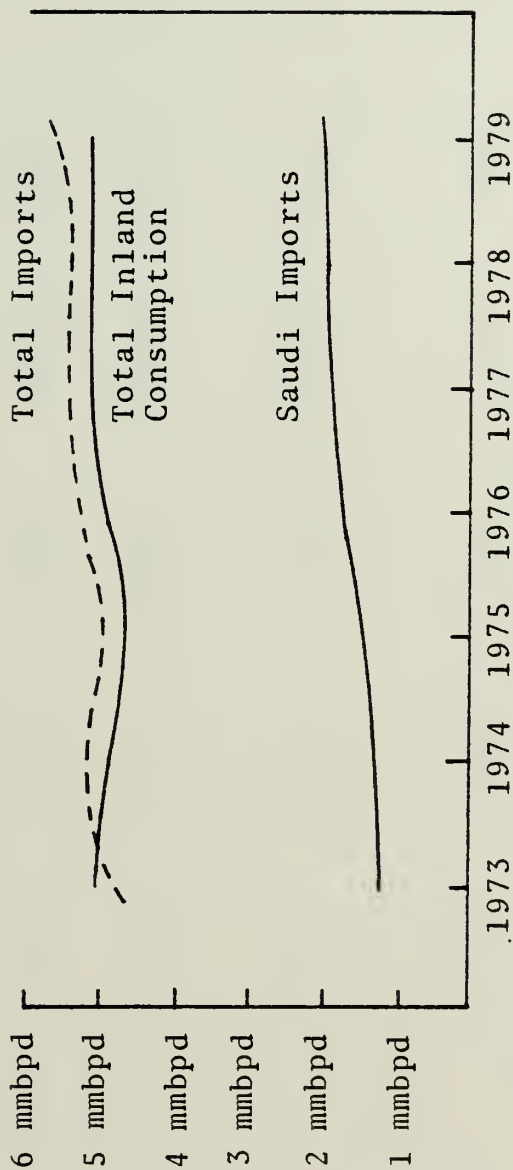
TABLE III-2

Western European Oil Consumption and Imports
from Saudi Arabia
(Thousand barrels/day)

	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
Total Consumption	13,775	12,637	13,522	13,832	14,070	14,420
Total Imports	14,400	12,080	13,528	13,108	13,128	13,180
Saudi Imports	4,410	3,445	3,445	3,299	3,049	3,693

SOURCE: Same as Table III-1

FIGURE III-4
 Japanese Oil Consumption and Imports from Saudi Arabia
 Million Barrels per Day (mmbpd)



Source: Same as Table III-1

TABLE III-3
Japanese Oil Consumption and Imports
from Saudi Arabia
(Thousand barrels/day)

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
Total Consumption	5,000	4,872	4,568	4,786	5,015	5,115	5,173
Total Imports	4,878	5,230	5,010	5,235	5,454	5,347	5,552
Saudi Imports	1,148	1,380	1,460	1,719	1,772	1,712	1,872

SOURCE: Same as Table III-1.

Ahmed Zaki Yamani, alluded to these factors by stating that Saudi oil pricing and production policy is made in consideration of "internal development requirements and economic circumstances in general, be they local, regional and international."¹⁵

Domestic revenue requirements have yet to overtask oil production income. Crude production capability combined with crude prices have enabled Saudi budgetary balances to steadily grow from a deficit in 1970 of \$80 million to a surplus in 1975 of \$18.8 billion. One must consider also that this balance was accrued in the face of a \$41 billion five-year development plan.¹⁶ Thus, Saudi oil policy is clearly not linked solely to domestic considerations. This is not to say, however, that there are not some factions within Saudi Arabia who think it should be so. Indeed, there are those who argue that production should be reduced and prices raised -- thus, they argue, maintaining current income while extending long-term availability of their depletable resource. The argument seems to have been coming, in its strongest form, from the newly evolving "Young Turk" technocratic class. To date, Sheikh Yamani has answered their arguments with descriptions of the kingdom's pricing and production policy typified by the following.

If you need money to spend on development, then you must sell oil.... For this reason, the Saudi Arabian

Kingdom must at least produce oil to meet its development requirements and its foreign needs. If it goes beyond this limit -- and that is what it is doing now -- then there must be other considerations which necessitate its doing so. These considerations are not necessarily purely political but both political and economic, because a reduction in the Saudi Arabian Kingdom's oil production will lead to an international economic crisis which will subsequently lead to diminishing our capabilities for development inside Saudi Arabia, particularly in industrialization. These are interconnected interests which sometimes require an increase in production above the limit we need to meet our financial requirements.¹⁷

Saudi production and pricing policy thus remain structured of factoring more inclusive than simply domestic revenue requirements.

Current Saudi policy makers argue that policy must, of necessity, include consideration of consumer economies. They theorize a linkage between energy costs and world inflation and realize the Saudi Arabian impact upon such -- especially as the world's leading exporter of crude. With vast foreign investments and near total reliance upon imports for development, Saudi Arabia has a direct interest in minimizing world inflation. Sheikh Yamani stressed this linkage by noting: "We know that if your economy (Western) collapses, we'll collapse with you. Money in itself counts for nothing. It only counts if it is put back into circulation and transformed into industry, technology."¹⁸ Thus, the continued attempts by Saudi Arabia to minimize OPEC price increases can be explained, in part, by their interest in consumer economies.

There is a direct interest in OPEC too, for which dovishness in pricing must be moderated. The oligopolitic advantage of OPEC has been perhaps the single most significant factor contributory to the increased oil revenues of the 1970s. Thus, while Saudi policy within OPEC has been one of moderation to the occasional point of confrontation, it has never been carried to the extent of threatening the stability of OPEC. Indeed, throughout the period 1977-1980, Saudi Arabia entered each OPEC conference with well published views, which very nearly approached demands, on the moderation in oil pricing which it felt necessary for a successful conference. And in each conference, Saudi Arabia initially stood firm in its "demands." But in each case the end result was a Saudi Arabian pricing and production policy which had been amended to more nearly approach the broad consensus of OPEC membership. The Saudi pricing remained the lowest in the cartel but not so low as to jeopardize the cartel.¹⁹ World petroleum market stability is a concern shared with the other members of OPEC with, perhaps, some reasoning unique to the Saudi perspective.

With the majority of its economy dependent upon the oil sector, Saudi Arabia finds itself in a position where the major measures of performance of the internal economy are dependent on external market events which influence the price and demand for Saudi oil. A study by the International

Institute for Strategic Studies noted that the sheer magnitude of Saudi Arabia's oil reserves "places the country in a separate category."

She may be able to produce oil well into the twenty-first century and possibly even into the twenty-second Any further disruption of the international oil market, therefore, would increase the danger of making Saudi oil worthless [in the longer run]. For this reason, the country cannot be interested in further disturbances of supplies and price increases; a stable relationship with consumer countries will serve her interest best.²⁰

Another Saudi Arabian concern for long-term prospects of her oil potential must be in the area of continuing oil price increase impact upon the "irreversible development of new energy sources."²¹ The Saudis seek to strike a balance between high oil prices, which reduce consumption and increase investments and research in alternative energy sources, and a need to maintain world interest in oil supplies in order to complete Saudi development. Sheikh Yamani has expressed fears of intensive research, spurred by high oil prices, which would accelerate development of alternative energy.

We are at a point in our development where we are in a race with time. Our interest forces us to maintain the life of our oil production long enough to build our economy until we reach that period of time when there is another major source of energy that can replace oil. At that time we will shift to that source as our main source of energy. We expect that in the next century, at some point in its '20s or '30s at the latest, there will be a major source of energy other than oil.²²

While stable pricing and production may seem an attribute desirable of any economic market, it offers Saudi Arabia special advantages. For in a stable market, Saudi Arabia's relative prominence is maintained within the community of oil exporting markets, whereas an unstable market offers the opportunity for vast profiteering by the less prominent members, thus enabling them to close the gap between their financial status and that of Saudi Arabia. This is another reason why Saudi Arabia has continuously offered production levels higher than necessary under pure domestic consideration.

And finally, the Saudis have always considered the impact of energy costs upon development to the third world countries. As a member of both the Islamic world and the developing nations at large, and as a heavy investor in the world economy, Saudi Arabia has a triple interest in the Third World. The first two interests are in the form of aid, assistance and leadership, and Saudi Arabia has played the role well. As will be seen in a later section, she has been active in both advocating north-south dialogue and of a more direct nature -- financial assistance in the form of direct grants, loans and special recycling programs for the less developed countries.

Saudi Arabia's vast production capacity has been a prime factor in its dominance both in world affairs and, of a more direct nature, in OPEC. How much spare capacity

actually exists has been widely rumored from as high as 20 mmbpd to as little as 12 mmbpd; however, it now appears that the lower figure is the most likely. In 1977, the government directed Aramco to take steps to ensure a maximum sustainable lifting capacity to 16 mmbpd; however, those projections were reduced in 1979 to 12 mmbpd.

C. ECONOMIC INTERESTS

The term "economic interests" covers a broad spectrum. It is imperative then that the portion which this work addresses be clearly delineated.

This section is divided into two sub-sections. The first will discuss national interests in the realm of the international monetary mechanism. For it is a smoothly functioning and efficient monetary mechanism which provides the financial framework and means for conducting the so-called "real transactions" of international economics.

Real transactions embraces the exchange of goods and services among countries and the movement of factors of production from one country to another. The second sub-section will cover national interests in the area of these real transactions or commerce.

While these two categorizations are generally applied to international economic relations, one knows that international economic relations have domestic economic linkages -- just as foreign policy has domestic linkages. Each of these two

categorizations will then include discussions of domestic linkages.

1. International Monetary System

There has been much discussion, reaction, and alarm to the vastly changed world economic order since the oil price hikes of 1973-74. Much of it concentrates on the vast surpluses in trade and current account balances of the OPEC nations. These new-found funds resulted in greater absorption by all of them in goods and services, in some cases sufficient to offset the momentary increase in current account balances. However, a few have been unable to completely absorb the surpluses even in spite of vastly increased exchange of financial assets for real resource. These non-absorbers thus remain with substantial investment assets enabling more direct effect upon the world economy. In 1977, the International Monetary Fund report summarized the situation as one in which "the industrial countries have reduced their national savings, so as to pay for their share of the oil deficit; and national savings of the oil exporting countries have displaced those of the industrial countries. . . ." ²³ The chief non-absorbers are Saudi Arabia, Kuwait, the United Arab Emirates and, until the decline in production subsequent to the revolution, Iran.

With its vast production capacity and unequal domestic revenue requirements, Saudi Arabia ranks chief

among these newly arisen stimulators of the world economy. Its decisions on oil production, imports, and investment policy are more critical than those of but a few countries. The IMF's decision of July 1978 to include the Saudi riyal in the SDR basket of currencies and of September 1978 to include Saudi Arabia as a sixth member of the IMF Executive Board of Directors was symbolic recognition of Saudi Arabia's growth to a position of world financial and economic importance.²⁴ The specific reasons for the decision were Saudi Arabia's role in world trade and international credit. During the 1972-1976 SDR evaluation revision, Saudi exports amounted to \$116 billion or 2.8% of the world total and Saudi Arabia rose to be the second largest international creditor after the United States.²⁵

Saudi Arabia's current account surpluses during the period 1974-1977 were \$79 billion. Deducting Saudi government grants to less developed countries (LDCs) and official transfers, there remained \$65 billion at the end of 1977 representing net external assets. Of that amount, \$33 billion was classified by the Saudi Arabian Monetary Agency (SAMA) as international reserves. At this level, Saudi reserves were the second largest among IMF reserves. Only West Germany exceeded that amount.²⁶

However, 1978 proved to be a year of reversal due to a combination of reduced oil revenue, world inflation

and increased Saudi imports. The combination of such liabilities caused a reduction in Saudi Arabia's current account surplus, thus forestalling the vast increases that so many had predicted in Saudi Arabia's net external assets. While the full explanation has not yet had time to be resolved, it caught many analysts off guard for, indeed, the majority had felt that Saudi foreign assets would exceed \$100 billion by 1980.²⁷ As Table III-4 shows, they were nearly \$65 billion in 1979, slightly down from the 1977 figure and \$72.1 billion in 1980, well below the \$100 billion mark.

While Saudi Arabia's prominence in the international financial market is unquestionably of the United States national interest, it is of even more direct national interest to find where these vast financial assets are invested. The greatest portions have been invested in industrial countries with the United States drawing the largest share. By mutual agreement, governments keep specific figures on country-to-country investment highly confidential and will reveal investment figures only in area or function aggregate groupings -- such as OPEC or Middle East investment in the United States.²⁸ However, Morgan Guaranty Trust estimates that Saudi Arabia has placed about three-quarters of its external assets in dollar denominated assets and that, of that amount, close to one half has gone to the United States.²⁹

TABLE III-4

Saudi Arabia Current Account Surpluses

and Net Foreign Assets

(\$ billions)

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Current Account Surplus	3.1	24.5	17.9	18.6	18.2	-1.0	10.9	--
Net Foreign Assets	5.4	21.6	42.0	56.0	65.0	62.0	64.8	72.1

SOURCE: International Financial Statistics. International Monetary Fund,
March 1981 and Balance of Payments Yearbook, December, 1980.

The head of the Saudi Arabian Monetary Agency (SAMA) has confirmed this by contending that Saudi holdings of U.S. Government securities "constitute the single largest component of their international reserves."³⁰ Likewise, Saudi oil minister Sheikh Yamani confirmed in a speech at the University of Riyadh in mid-1978 that "Most of our [foreign] investments are in dollars. . . ."³¹

Table III-5 depicts placement (or withdrawals) of the Middle Eastern oil exporting countries into United States investments during the period 1974 through the first half of 1978. With Saudi Arabia representing, by far, the largest non-absorber within the aggregate grouping, it is estimated that by mid-1978, SAMA held \$34 billion in dollars of which \$11 billion was in foreign banks. The remaining \$23 billion estimate was deemed to be held by a mixture of U.S. government paper and bank deposits in U.S. banks. Roughly 15 to 20% was deemed to be in short-term securities.³² In 1977, President Carter casually suggested that Saudi Arabian investment in the United States may have been far in excess of \$35 billion. In toasting visiting Prince Fahd during a White House dinner, the President remarked, "Saudi Arabia has about \$60 billion invested in our country. . . ."³³ Saudi Arabia thus holds a portion of significant United States economic interest both as a director of the IMF and as a heavy investor in the United States economy. Both

TABLE III-5
Middle East Oil Exporting Countries'
U.S. Investments
(\$ million)

	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
Treasury Bills, Bonds & Notes	2292	3301	4097	3718
Other Domestic Bonds	885	1553	1179	1695
U.S. Stocks	362	1649	1809	1390
Commercial Bank Liabilities, Long & Short Term	<u>1927</u>	<u>1134</u>	<u>1794</u>	<u>353</u>
	5466	7637	8879	7156

SOURCE: Treasury Bulletin (August 1978) and Treasury International Capital Movements report as cited in Technology Transfer Subcommittee Hearings, p. 197 & 398.

aspects have significant effect upon the dollar. Even though Saudi net external assets are forecast to slow in growth compared to the 1974-77 period, the 1980 estimates exceeded \$72 billion, thus maintaining Saudi Arabia's importance in the international financial market and specifically in maintenance of the United States exchange rate.³⁴

While Saudi investment in the dollar has significant potential effect upon the United States economy, its potential should be moderated by a consideration of other foreign investment in the United States. Indeed, the entire Middle Eastern oil exporting countries' total U.S. investment is large in absolute sense, but this represents a small portion of the total U.S. capital market which is estimated on the order of \$3.3 trillion. Likewise, Middle Eastern holdings account for: (1) less than 10% of all foreign holdings of U.S. treasury securities; (2) less than 3% of total public holdings of U.S. treasury securities; and (3) less than 1% of outstanding dollar volume of U.S. corporate bonds and securities.³⁵

From a Saudi perspective, investment in the U.S. dollar is based more upon international economic logic than upon political, moral or ideological reasoning. The United States represents the largest economy in the world -- a profitable outlet for the surplus funds generated by Saudi oil revenue and one of the very few capital markets in the world capable of absorbing such large sums. While they may try to diversify outside the dollar, there is no other market capable of handling the bulk of currency which they generate. These investments will be a source of financing for future development of their own country. In an interview with an Arab reporter, Sheikh Yamani confirmed the Saudi view of

Western investment as the only logical avenue for disposal of Saudi revenue surpluses.

(The surplus) is increasing daily. There is no avoiding investing this surplus in Western banks because there are no other financial establishments that can absorb it.³⁶

Income from investment alone represented an estimated \$4 billion in 1978, increasing to an estimated \$8 billion in 1980 -- both figures larger than the total income of the kingdom in 1970.³⁷ The Saudi Arabian Government has been explicit in detailing its investment policy. They have stated that they seek to play a "constructive role, recognizing the need to act with larger issues in mind than solely profit" and that they have "sought to avoid sudden or large scale shifts in assets, speculative transaction, investment in the sensitive area of real estate and controlling interests in U.S. firms." The head of SAMA has further stated that investment managers in the United States have been instructed that "at no time may Saudi government investments reach 5% of the voting stock of any company."³⁸

Saudi Arabian economic policy then is reflective of the part which they play in the interdependence of world economic order and, like other nation states, they perceive a direct national interest in world order. Heir Apparent Fahd expressed such a view in a 1977 interview.

We believe that world economic stability is the most important pillar of world peace. . . . The spread of international economic crises distracts efforts to

achieve peace in the Middle East. Accordingly, when the Kingdom of Saudi Arabia. . . decided on a 5 percent increase in oil price against the 10 percent recommendation of the other members of OPEC. . . it was only taking into consideration the interests of the international community and world stability in the hope that peace would be returned to those regions that have been deprived of peace and, most importantly of course, to the Middle East. We are a part of the world, and we see our oil interests linked to the question of economic peace.³⁹

It must also be noted at this point that the preceding discussion regarding United States-Saudi Arabian economic interests further confirms the linkage of consumer economies in Saudi Arabian moderation in oil pricing. The combined factors of substantial investment in dollars and oil payments in dollars must be considered in any proposed price increase. For there is inevitably a certain point at which revenue incurred by oil price increases will be negated by devalued investments and increased import costs.

2. Commercial Interests

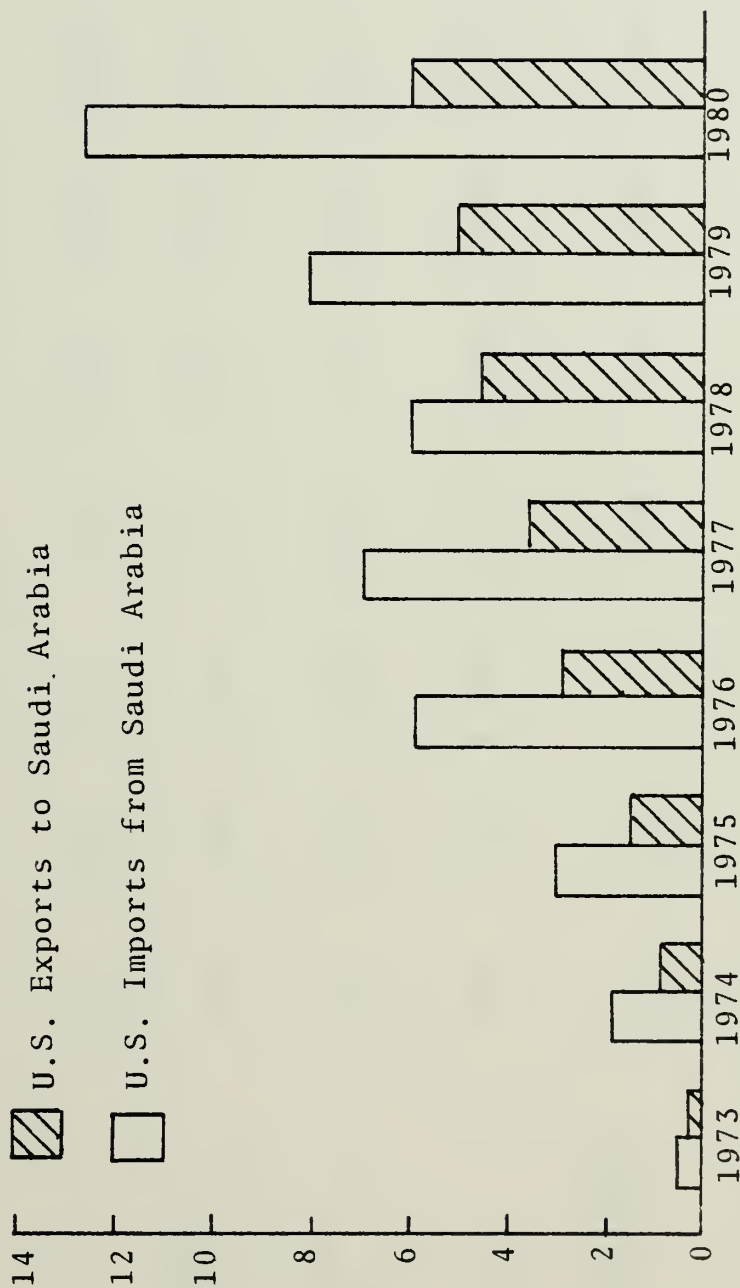
The combined effects of massive internal development within Saudi Arabia -- for which the country is almost entirely dependent upon imports -- and vast oil revenue have made the country of significance in international trade. Total trade value of Saudi exports and imports within the world markets has steadily risen from 0.9% in 1973 to 2.7% in 1977.⁴⁰ Services included, total exports and imports were valued at \$79 billion in 1977.⁴¹ This made Saudi Arabia the ninth most lucrative trade market in the free world --

ahead of industrialized nations such as Austria, Denmark, Sweden and Switzerland.

With the second five-year development plan of \$142 billion having just been completed and the third plan of \$237 billion for 1980-85 having just been initiated, the country has been and will continue to be a major export market for the world's industrialized countries. Saudi imports of goods and services totaled \$29.9 billion in 1977.⁴² An important and solid linkage of interdependence is struck herein then, with Saudi Arabian imports offering an opportunity for industrialized nations to offset the trade deficits incurred via the purchase of Saudi Arabian oil.

Saudi Arabia displaced France in 1978 as the seventh largest market for United States exports⁴³ and initial data for 1980 show U.S. exports to Saudi Arabia valued at \$5.8 billion. The total, including services, would be much higher as Americans comprise a significant portion of the vast expatriate labor in Saudi Arabia. United States market share of Saudi merchandise imports steadily rose from 22.4% in 1973 to 35.6% in 1976. However, the trend since 1976 has been a gradual loss of market share. This deterioration is of even more significance considering that Saudi Arabia is still an expanding market. The trend shown by Table III-6 is one which the United States can ill afford with net trade balances amounting to significant deficits annually -- \$6.7

FIGURE III-5
U.S.-Saudi Trade*
(\$ Billions)



Source: Direction of Trade Yearbook, 1979 (Washington: International Monetary Fund), and U.S. Department of Commerce Publication, Business America, various issues.

*Merchandise only, excluding most military goods.

TABLE III-6

U.S. -Saudi Trade*

(\$ Millions)

	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
U.S. Imports from Saudi	545	1,786	2,987	5,842	6,998	5,819	7,983	12,509
U.S. Exports to Saudi	443	835	1,502	2,774	3,575	4,370	4,875	5,769
Net Difference	102	951	1,485	3,073	3,423	1,449	3,108	6,740
U.S. Percentage of Saudi Import Market	22.4%	29.2%	35.6%	32.0%	24.4%	19.8%	19.2%	19.2%

SOURCE: Same as Figure III-5.

*Merchandise only, excluding military goods.

billion in 1980. In spite of this recent trend, the U.S. remains Saudi Arabia's chief import supplier with Japan following up at 15% market share.

The services market within Saudi Arabia represents an area nearly as profitable for foreign suppliers as the merchandise import market. Saudi Arabia spent \$13.7 billion on services in 1977 -- a sum very nearly equal to total merchandise import value for that year.⁴⁴ However, the U.S. Anti-Boycott Legislation and Tax Reform Act of 1976 have had detrimental effects upon U.S. participation in this market. The number of Americans employed by U.S. corporations in Saudi Arabia has dropped from 65% of total employees in 1976 to 35% in 1980. And while U.S. contractors won some nine percent in value of all construction contracts in 1975, today their share is less than three percent. A Congressional Study reported that because of U.S. tax reforms, it costs a contractor 50% more to hire an American than a German, Frenchman, or Australian.⁴⁵

From a Saudi Arabian perspective, the United States is their largest supplier of imports. Since their vast revenues enable complete freedom of choice, one may assume the U.S. is their favorite market. The American product and skill had the advantage of being first upon the scene in the country and has been of wider familiarity and acceptance. Further, the Saudis are particularly desirous of acquiring

advanced technology to aid in development -- an area in which the United States excels.

Particularly lucrative technology requirements exist in the fields of petroleum, water resources and manufacturing. The opportunities are most obvious in the petrochemical industry and the United States leads the world in this field. Saudi oil sector imports amounted to \$322 million in 1976, an increase of nearly 170% since 1972.⁴⁶ With current Saudi water resources being supplied by non-renewable aquifers, the long-term future for water resources appears to be in desalination of sea water requiring high technology.⁴⁷

The area of commercial interests, therefore, offers great mutuality. The United States provides the largest portion of Saudi trade needs and therefore represents a vital link in Saudi Arabia's goal of development, while Saudi Arabia represents to the United States its seventh largest export market and an opportunity to minimize the oil trade deficit.

D. POLITICAL INTERESTS

There is strong mutuality of national political interests between the United States and Saudi Arabia. Saudi Arabia represents to the United States a prominente within three spheres -- Arab, Islamic and Third World nations -- each of which the United States is vitally concerned with. Moreover, each of these three spheres plays ever-increasing roles of

importance in a world of rising multipolarity and interdependence.

To Saudi Arabia, the United States represents the arch-defender in a world still possessing vestiges of bi-polarity. The ideology of communism is abhorred by the Saudi Arabians, for its atheism, its revolutionary basis and its socialism. Thus, the United States represents the alternative force of strength, that which has the capability of ultimate opposition to that which the Saudi Arabians abhor.

While Saudi Arabia began to exercise international intercourse to a degree after World War II, the era of King Faisal is perhaps a better point in history to mark as the turn from semi-isolationism to active intercessor. Saudi Arabia was a founding member of the Arab League in 1945 and attempted to commit troops in the Arab-Israeli war of 1948. But the troops never made it to the front because of transportation problems and the "Arab cold war" which ensued after the free officers coup in Egypt in 1952 forestalled any widespread success for the Arab League.⁴⁸ Under Faisal's leadership, the country seemed to have fully visualized the linkage between internal security and external affairs. To this day, foreign policy is very much primarily motivated by the perception of how internal security will be affected by external affairs.⁴⁹

King Faisal's response to the radicalism espoused by that which was born of the free officers coup -- Nasserism -- was the precedent which is typical of Saudi Arabian policy today. Moderation and conservatism was to be promoted and those who practiced it were adjudged to be in Saudi favor. However, the fervent appeal of Nasserism was to forestall any Saudi Arabian preemption of regional Arab leadership until 1967.

The setbacks suffered by the Arabs with Nasser as leader in the 1967 war with Israel offered the opportunity for Saudi Arabia to step forward and occupy a position of regional leadership. King Faisal's broader based appeal of Islamic unity -- versus Nasser's Arab nationalism -- combined with Saudi Arabia's financier status were the two primary causes for Saudi Arabia's debut as regional prominente. The Arab confrontation states -- Egypt, Jordan and Syria -- had been left hard pressed after the war and Saudi Arabian heavy financial aid -- along with several of the other oil rich states -- proved to be the means for rebuilding. At the Khartoum Conference in September 1967, Saudi Arabia and the other oil-rich Arab states offered up \$280 million for Egypt and \$100 million for Jordan as compensation for war losses.⁵⁰ As the largest contributor, Saudi Arabia placed conditions upon its offer which resulted in Nasser's withdrawal of Egyptian forces which had been supporting revolutionaries

in Yemen. Thus, if the Khartoum Conference represented Saudi Arabia's debut as a regional actor of prominence, the death of Gamal Nasser in 1970 represented a confirmation of the new entrant's stature. Egypt still represented the most powerful Arab regional actor but that power was in large part sustained by Saudi Arabian financing. One report states that between July 1974 and June 1975, Saudi Arabia injected over \$1.2 billion into the Egyptian economy.⁵¹ It is probably then more than mere coincidence that the Saudi Arabian Defense Minister was in Cairo in July 1972 when President Anwar Sadat made his dramatic move to expel all Soviet advisors from Egypt. Riyadh promptly dispatched a military mission to Egypt which decided to help Egypt extricate herself from Soviet political and military influence. Such assistance included Saudi Arabian full financing of Egypt's purchase of United States F-5 fighter aircraft. Egypt's move toward the Camp David process, however, was considered a move outside Arab unity and thus resulted in foreclosure in most obvious Saudi Arabian aid projects.

The psychological successes of the oil boycott of 1973-74 and the vast surpluses resulting from the price increases propelled Saudi Arabia from a mere regional role to a political actor role of international consequence. Saudi Arabia was then sought after as an international market, a financier of both regional and international significance, a mediator

of disputes, a source of energy and/or a voice of moderation within OPEC pricing policy. Thus, the role of regional actor which was effected late in 1967 was now expanded to include the Islamic World, Third World and industrialized nations.

The role played by Saudi Arabia within the world of Islam and Third World nations is very much like that played as a regional leader. The Saudi Arabians' great influence within the Islamic world is prompted by the combined historical facts of cultural heritage, possession of Islam's holiest shrines and financial utility. The Saudi Arabians' Wahhabi school of Islamic jurisprudence represents perhaps the most orthodox within Islam. The responsibility entrusted by possession of the holy places is one which the Saudi Arabians have met with full resource. The transformation of the annual pilgrimage in less than fifty years from an arduous journey involving banditry and exploitation occurred primarily because of the policy and effort of the Saudi Arabian government.⁵²

Financial resources provide a method of leveraging within each of the spheres in which Saudi Arabia plays a role plus opening opportunities outside the spheres. Aid, both grant and loan, is given most heavily to members of the Arab and Islamic spheres with the former receiving the predominant portion. According to the Financial Times of London, \$1.55

billion was disbursed in 1977, \$3.6 billion in 1976, \$3.87 billion in 1975, and \$2.37 billion in 1974.⁵³ In 1978, Saudi Arabia spent about 2.32% of gross national product (GNP) on foreign aid, compared with 4.3% the year before. This is a significant drop but 2.32% is still far ahead of industrial countries lending in percentage terms. If aid performance were measured as a proportion of a country's fixed assets, then Saudi Arabia would be still further ahead. Armed with such figures, Saudi Arabia can exercise significant political leverage within its spheres of influence.⁵⁴ Table III-7 shows the relative priority of Saudi Arabian aid.

Big Saudi Arabian aid recipients other than the Arab confrontation states include Sudan, a friendly government just across the Red Sea; North Yemen, a buffer against Marxist South Yemen; and Pakistan, where moves toward a more rigid Islamic law are viewed with favor. Non-Arab Africa and Asia have also received Saudi Arabian aid but emphasis remains strongly with Arab countries. The Saudi government increased the grant element of its foreign loans from 46% of loans in 1976 to 51% in 1977 and 57% in 1978. Three-quarters of those new grants committed in 1978 were to Arab countries. In addition to these OECD publicized grants, there are more discreet, direct government-to-government grants between Saudi Arabia and "Israeli confrontation" states such as Jordan and Syria.⁵⁵

TABLE III-7

Saudi Arabian Foreign Aid in 1975 and 1976

Recipients	1975	% of Total	1976	% of Total
<i>Afghanistan</i> ^b	18.3	1.0	7.8	0.4
<i>Bahrain</i> ^a	1.7	0.1	100.0	4.8
<i>Cameroun</i> ^c	17.4	1.0	—	—
<i>Chad</i> ^{bc}	1.7	0.1	0.1	0.005
Comoro Islands	—	—	2.1	0.1
Congo ^c	—	—	4.1	0.2
<i>Egypt</i> ^a	948.9	53.3	496.8	24.0
Ethiopia ^{bc}	1.0	0.1	—	—
<i>Gabon</i> ^c	10.4	0.6	—	—
<i>Guinea</i> ^{bc}	—	—	0.2	0.01
<i>Indonesia</i>	—	—	6.9	0.3
<i>Jordan</i> ^a	49.3	2.8	165.0	8.0
<i>Mali</i> ^{bc}	16.0	0.9	—	—
<i>Mauritania</i> ^{ac}	—	—	94.1	4.5
<i>Morocco</i> ^{ac}	25.0	2.0	—	—
<i>Niger</i> ^{bc}	13.2	0.7	2.1	0.1
<i>Oman</i> ^{ab}	100.0	4.6	—	—
<i>Pakistan</i>	74.8	4.2	514.8	24.8
Rwanda ^{bc}	5.0	0.3	—	—
<i>Senegal</i> ^c	—	—	5.0	0.2
<i>Somalia</i> ^{abc}	17.2	1.0	22.8	1.2
<i>Sudan</i> ^{abc}	95.3	5.4	163.5	7.9
<i>Syria</i> ^a	242.2	13.6	189.8	9.1
Thailand	—	—	75.6	3.6
Togo ^c	2.0	0.1	1.1	0.05
<i>Tunisia</i> ^{ac}	19.5	1.1	—	—
Turkey	10.0	0.6	—	—
<i>Uganda</i> ^{bc}	5.3	0.3	0.1	0.005
<i>Yemen (North)</i> ^{ab}	94.8	5.3	121.8	5.9
<i>Yemen (PDRY)</i> ^{ab}	—	—	100.0	4.8
Total	1,780.0		2,073.7	
Arab States	1,603.9	90.5	1,453.8	70.1
Islamic states	1,772.0	99.6	1,990.8	96.0
Least developed states	269.2	15.1	418.4	20.2
African states	1,187.5	66.9	789.9	38.2
Non-Arab African states	70.6	4.0	12.7	0.6
Afghanistan, India, Pakistan and Bangladesh	93.1	5.2	522.8	25.2

Islamic states shown in *italic* a Arab state b Least developed c African stateSource: *Arabia and the Gulf*, 24 July 1978.

As cited in Adeed Dawisha, *Saudi Arabia's Search for Security* (London: International Institute for Strategic Studies, 1979) p. 18.

Saudi Arabia also stands as a supporter of Third World developing nations by acting as a chief proponent for North-South dialogue and establishing special petrodollar recycling funds for Third World oil importers.

And lastly but certainly not least, two recent examples have shown Saudi Arabia's international influence even outside these spheres of special affinity. Canada reversed a decision to relocate its embassy in Israel to Jerusalem after being reminded of national economic interests in Saudi Arabia and the United Kingdom issued a diplomatic apology when its national media carried a controversial film on Saudi Arabia.

Saudi Arabia also represents to the United States a vital transducer of sorts within the overall goal of Arab-Israeli conflict resolution. Herein lies the area in which the two nations' interests are askew. Both seek the same ultimate objective -- resolution of the conflict -- but each nation sees a different path to the ultimate goal. The United States represents the chief financier of the state of Israel while Saudi Arabia is a leading financier of the Palestinians.⁵⁶ This divergence of national interests has existed from the earliest period of formal diplomatic relations between the two nations and has been overcome only by the moderation and conservatism of the two. It should be pointed out, however, that the United States-Saudi Arabian

relationship is older than the United States-Israeli relationship.

As previously mentioned, ultimately the United States represents to Saudi Arabia the arch-defender against communism, the leading world advocate of the status quo and the largest free world power within the vestiges of a bi-polar world. However, in a more immediate interest, the United States represents to Saudi Arabia the prime leverage, short of hostilities, toward "Israeli intransigence in Zionist expansionist policy." A former American ambassador to Saudi Arabia reports that King Faisal saw specific linkages between Zionism and communism. Although committed to American friendship, Faisal believed that United States support of Israel "opened up the entire Muslim world to Soviet penetration" and that such support was "an aberration" for America's more important interests "lay in the Arab and Muslim World, not in Israel. . . ." ⁵⁷ There is little reason to think that present Saudi Arabian views differ.

Thus, while seeking continued interests in the United States, the Saudi Arabians can become exasperated by United States' policy toward Israel. This gives rise to a faction of opposition within Saudi Arabia very much opposed to current policy regarding United States friendship and Soviet rejection. Like that faction of opposition regarding oil policy (and likely the same faction), this group suggests that Saudi

Arabian political alignment with the United States is more to the country's detriment than good. While many signals have occasionally been lit that Saudi Arabia may move toward a more conciliatory status with the Soviet Union, none have been fulfilled to date.⁵⁸

Thus, the most direct political interests that Saudi Arabia has in the United States is inherent with problems. For while most Saudi Arabians probably view the United States as a primary stimulus upon Middle East regional security and tranquility, the effect of the stimulus is viewed in differing ways. Some may see the United States as a required actor in any type of settlement while others may see United States policy as the primary stimulus of regional turmoil. Like the United States, Saudi Arabian foreign policy must be considerate of domestic perceptions/politics.

E. MILITARY INTERESTS

There exists within the military field a mutuality of national interests also. Saudi Arabia has always been dependent to a certain degree upon external sources for military security, assistance and Western governments, the United States paramount among them, have been amenable in providing that assistance. For each has viewed the security of Saudi Arabia as within their own national interests. But like the relationship as a whole, the events of 1973-74 have heightened the area

of military interests in both intensity of interest and scope of complexity.

The British withdrawal from west of Suez, the Arab-Israeli war of October 1973 and increased world oil demand were each events of the era which served to propel the area of military interests to a scale of greater intensity and complexity. The British withdrawal represented the departure of a powerful overseer, leaving a sense of vulnerability in the Persian Gulf region and, indeed, in the Western World. That vulnerability was further heightened by the vast appreciation of the area's oil resources within a world perceiving oil shortages. There resulted thereafter a vast effort within the area, aided and even prompted in large part by the Western World, to increase inherent military capability. The U.S. Arms Control and Disarmament Agency cites the total value of military deliveries to the Middle East as increasing from \$4.6 billion in the period 1970-72 to \$10.6 billion in the succeeding three years. Oil-exporting countries such as Iran, Iraq and Saudi Arabia were particularly active in developing military capability with their new-found revenues.

Saudi Arabia still faces problems which severely limit its self-defense capability in spite of its vastly increased financial capability to acquire the best in military training and equipment. These problems, which are not likely to change significantly over the next decade, are:

- (1) A large geographical area to defend -- as large as the United States east of the Mississippi River -- with an extended coastline -- over 2000 miles along the Red Sea and Persian Gulf.
- (2) A severely limited population base -- estimated at five million -- from which to draw military manpower.
- (3) An untested and hence unproven military capability outside the realm of small border disputes.

At first glance, a large geographical area suggests an advantage of being able to trade space for time. But such an attribute combined with a sparse population makes defense of the entire geography nearly impossible. The most coveted target for an enemy of Saudi Arabia would most likely be the oil industry which is vulnerably concentrated within a small area along the Persian Gulf coast. The destruction or capture of the oil industry would mean the demise of Saudi Arabia as a regional power of any consequence.⁵⁹ Saudi Arabia's security problem of geography is, therefore, dramatic.

Manpower problems are no less severe. Saudi Arabian armed forces, like U.S. forces, are all volunteer. The rapidly expanding private sector within Saudi Arabia has offered competition, within an already limited market, for manpower. It has thus become increasingly difficult for the armed forces to meet manpower requirements. The Saudi Arabian government has for quite some time considered instituting a draft to remedy the situation but, to date,

has not offered up any final decision.⁶⁰ Thus, as a sort of substitute for manpower, the Saudi Arabians are concentrating upon highly effective, mobile military defense hardware. Emphasis is on manpower effectiveness.

The Saudi Arabian military capability is largely untested. While it is true that King Ibn Saud's unification of the kingdom in the early part of the century was due in large part to his military might, it was the last significant test of military effectiveness. The basis of Saudi Arabian military structure since becoming a nation state has been defense strategy. Ability beyond that strategy has thus been weak to nonexistent. Support units were contributed to the Palestine War of 1948 and the Arab-Israeli wars of 1967 and 1973, but these actions were more symbolic than substantive. In two other cases, Saudi Arabian troops have been rallied in defensive displays of strength -- 1957 in Amman in a show of support for King Hussein against Syrian threats and a 1961 massing on the Yemen border in a show of support for royalist forces in Yemen. But, even one of these, the Yemen case, required a deployment of United States fighters to Saudi Arabia in support of the country's territorial integrity.⁶¹

The country's financial resources now enable it to acquire the latest in defensive technology but there is some question as to whether or not Saudi Arabia's technology

absorptive capacity is equal to its financial capacity. The past and present social, economic, and cultural isolation from the rest of the world exceeds that of any other regional state excepting Yemen and Oman. Thus, financial ability does not necessarily include the ability to rapidly absorb the human ability to operate them. A 1977 General Accounting Office study, while supportive of arms sales to Saudi Arabia as within the U.S. national interest, was critical of the fact that there had been no assessment of Saudi Arabian self-sufficiency in operating and maintaining its arms.⁶²

For all the reasons cited above and as shown quantitatively in Table III-8, Saudi Arabian military strength falls far short of representing any regional military power. Those powers which Saudi Arabia regards as threats include Israel, Iran, Iraq and the Yemens. Israel has made repeated suggestions that whereas Saudi Arabia was excluded from active confrontation in past Arab-Israeli wars, any future Israeli war strategy would have to include consideration of the Saudi Arabian F-15s and the oil weapon. Such suggestions, along with Israel's historical reliance upon pre-emptive strike strategy, are sufficient grounds for regarding Israel as a possible adversary in active conflict.⁶³

Iran and Saudi Arabia represented -- until the fall of the Shah -- the supposed "twin pillars" of Gulf security.

TABLE III-8

Middle Eastern Military Forces

	<u>Armed Forces</u>	<u>Battle Tanks</u>	<u>Combat Aircraft</u>	<u>Naval Vessels</u>
Saudi Arabia	44,500	550	217	134
Israel	400,000	3050	576	63
Iran	415,000	1985	447	40
Iraq	222,000	1900	339	49
Kuwait	11,100	280	50	31
Oman	19,200	--	35	18
Yemen Arab Republic (North)	36,600	232	11	10
People's Democratic Republic of Yemen (South)	22,800	260	109	16
UAE	25,150	30	52	9

SOURCE: The Military Balance, 1979-1980 (London: International Institute for Strategic Studies).

Note: Iran's figures are pre-revolution. Current manpower and serviceability are questionable.

However, it was a wary, imbalanced partnership. There were social, cultural, economic and military differences which could never be reconciled. Moreover, Iran's seizure in 1971 of the Gulf islands Abu Musa and Greater and Lesser Tumbs raised grave questions in Arab minds as to what purpose Iranian power was destined. The present transition in Iran has weakened the military power but such weakening may only be a momentary product of the transition. Regardless, the social, cultural and economic differences remain. Although the Saudi Arabians do not espouse it publicly, there is little doubt that they regard Khomeini Shiism as a threat equal to any that existed under Iranian monarchial rule.

Iraq has, since its 1958 revolution, represented a leftist, revolutionary oriented regime which, on occasion, has been identified with activity to undermine Saudi Arabian security. Moreover, its communist contacts and Soviet-supplied military have caused apprehensive concern within Saudi Arabia. Revolution in Iran and a perception of common danger have now caused Saudi Arabia and Iraq to seek discreet mutual ties. However, the collaboration is most likely much like that of the "twin pillar" scheme under monarchial Iran -- a wary association full of apprehension regarding the imbalance in military power and the contrasting doctrines of Baathism versus traditionalism.

A consolidated North and South Yemen has long been a prospect outside Saudi Arabia's interests. With perennial

border conflict between Saudi Arabia and North Yemen, a consolidated Yemen would represent a potential power of consequence. Moreover, with a Marxist government and communist-supplied military in South Yemen, the threat takes on a double-edge.⁶⁴ Saudi Arabia has long sought to influence both countries through aid and to aid North Yemen in any military conflict with South Yemen. Results, however, have been more momentary than representative of any long-term realignment.

While the discussion heretofore has dealt with external security, there is another aspect which must be mentioned and that is internal security. For it is undoubtedly a common interest of both the United States and the Saudi Arabian government that there not be any radical reversal of the status which presently exists therein. Former Secretary of State Henry Kissinger summarized this United States interest in a London speech by saying that the fall of the House of Saud would represent a "major blow to Western interests in the Persian Gulf region."⁶⁵

The threats to Saudi Arabian internal security are numerous. A vast expatriate labor force comprising every nationality and degree of fervor and emotion from American through Palestinian to Yemeni is one; some estimate their numbers are such so to comprise 16 to 40% of the native Saudi population. A religious duty to maintain an open-door policy for two million annual

pilgrims is another; many stay over in the country after completing the pilgrimage and their political leanings may prompt all sorts of problems from Khomeini Shiism to Iranians and Iraqis trying to simultaneously complete the pilgrimage while their two countries conduct war against each other. Another possible threat to internal security is the view taken by many Muslims of conflict between Islam and all the vestiges of modernism; the kingdom's latest manifestation of this threat occurred at Mecca during the 1979 pilgrimage. Add to each of these the vulnerability of the kingdom's oil facilities to sabotage and disruption, and one will see the importance of internal security within the kingdom.

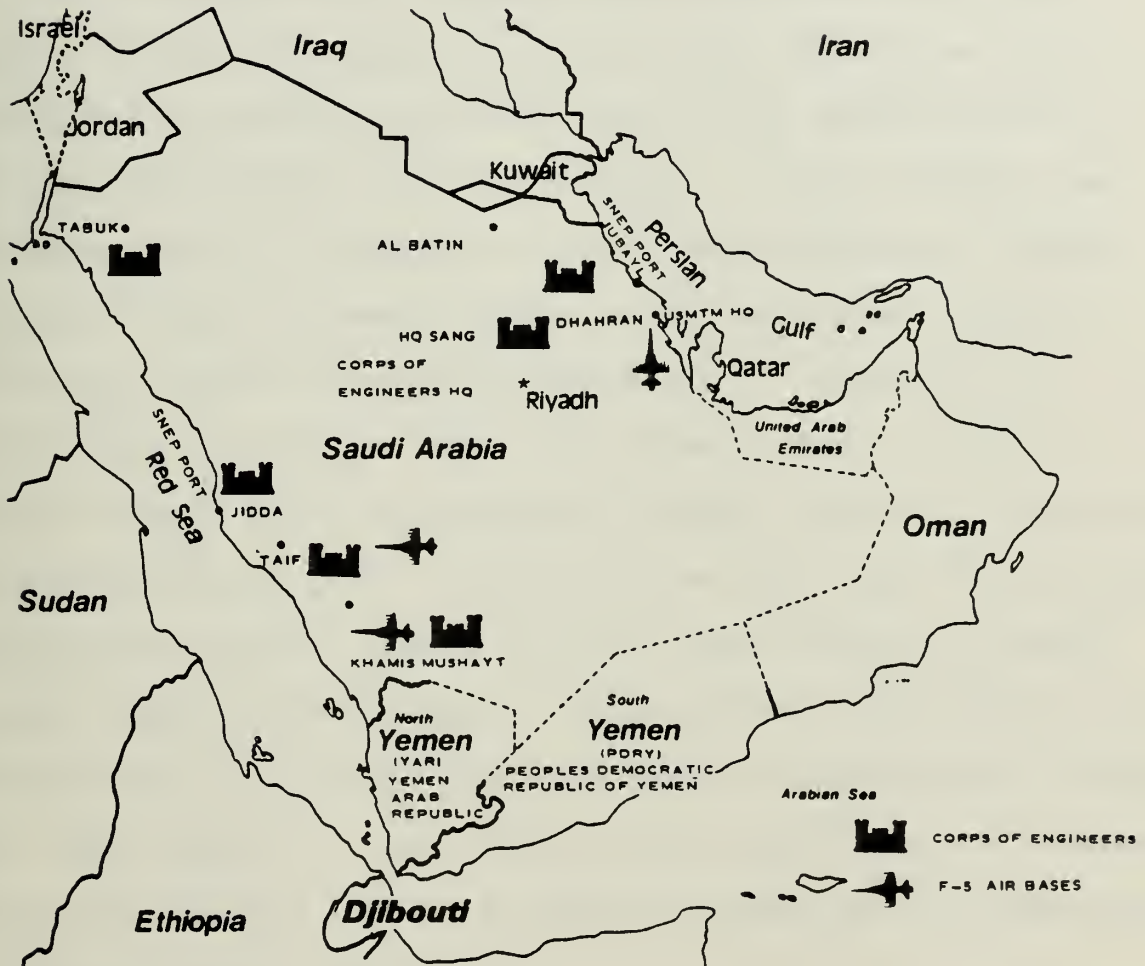
Saudi Arabian interests in the United States, therefore, lie in the area of U.S. assistance in closing the gap between military security requirements and military security capability. Such assistance can be in the form of weapons transfers, advising, administering, training, manpower assistance and ultimately -- support by U.S. military forces. Alfred L. Netherton, U.S. Department of State Assistant Secretary for Near Eastern Affairs, confirmed the United States' involvement in that interest in 1977 testimony before Congress. He described arms sales to Saudi Arabia as reflecting "U.S. interests in the security of Saudi Arabia affirmed by every President since FDR. . . . Current [arms sales] policy seeks to maintain the continuity of this

relationship. . . ."67 The relationship was maintained by \$4.5 billion in arms sales in 1978, \$6.0 billion in 1979 and a projected \$5.7 billion in 1980.68 These arms sales are administered by an in-country U.S. Military Assistance and Advisory Group which, in 1978, was exceeded in size only by those in Iran and South Korea.69 The total U.S. personnel commitment to Saudi Arabia of 27,300 is made up of 700 diplomatic personnel, 2600 Department of Defense personnel and 24,000 private American citizens, each category including dependents.70 While many of the private U.S. citizens are under contract to private commercial interests, a significant number are involved in privately contracted defense technological support and training. The Northrop Corporation F-5 aircraft program and the Vinnell Corporation's involvement in training of the National Guard are two current examples. Assimilation of the recently purchased F-15 fighter aircraft will be a future demand for manpower assistance.

U.S. Corps of Engineers involvement in security assistance to Saudi Arabia represents both a unique and highly successful aspect of the program of U.S. assistance. There are 1450 U.S. government employees devoted full-time to fulfillment of the Corps program in Saudi Arabia, 950 within the kingdom (plus 1200 dependents) and the remainder in the U.S. In administering a program estimated at \$20-25 billion in the next ten years, the Corps' success has prompted inquiries from close political

FIGURE III-6

U.S. Corps of Engineers Locations in Saudi Arabia



Source: U.S. Comptroller General, General Accounting Office, Perspectives on Military Sales to Saudi Arabia, A Report to Congress, October 27, 1977, p. V.

associates of Saudi Arabia (Yemen, Sudan and Oman) as to the possibility of acquiring similar aid. The key probably lies in whether or not the Saudi Arabians would be willing to finance such programs.⁷¹

The ultimate Saudi Arabian military interest in the United States of defense by U.S. military forces has been evidenced on several occasions, both in an earlier period of the relationship and more recently. It has already been mentioned how U.S. fighter aircraft were deployed to Saudi Arabia in 1962 in demonstration of United States' support of Saudi Arabian territorial integrity.⁷² Similar acts were taken in 1979 and 1980. In January 1979, a unit of United States F-15s was deployed to Saudi Arabia in the wake of the Iranian crisis; in March of the same year, two airborne warning and control (AWAC) aircraft were deployed to Saudi Arabia during a South Yemeni threat against North Yemen; and in fall 1980, four AWACs were deployed to Saudi Arabia during the Iraq-Iran war. While each act was publicized as "unarmed aircraft," it was a clear message of United States commitment to Saudi Arabian security.⁷³

Unlike Saudi Arabian military interests in the United States, United States military interests in Saudi Arabia are not so formally structured or evidenced. To be sure, the United States would welcome U.S. basing rights in Saudi Arabia along with some form of defense alliance. The former justification for basing rights in Dhahran would now have to be

modernized only slightly to accommodate the so called "Carter Doctrine" for protection of vital U.S. interests in the Persian Gulf. But the same forces which caused Saudi Arabia to abrogate the Dhahran agreement in 1961 exist today in even stronger proportions. The increased threat represented by the Soviet move into Afghanistan has still been insufficient to move Prince Fahd from the position that his government would not grant the United States "military bases or facilities" in Saudi Arabia.⁷⁴ Likewise, the Saudi Information Minister declared to his populace in 1980 that there were no foreign military bases in the kingdom and that there would never be any foreign military bases in Saudi Arabia.⁷⁵ Sovereignty, nationalism, non-alignment and eschewal of any vestige of imperialism are the accepted basis for international stance within the Arab world. The United States, therefore, must look toward countries who consider the losses to be incurred in extending U.S. basing rights offset by other gains. Saudi Arabia is not one of them. As William Quandt has noted, "Saudi Arabian Arab and Islamic ties will often prevail over relations with the U.S."⁷⁶

The present and continued United States involvement in Saudi Arabian military affairs is, however, a vital U.S. interest even if short of an ultimate aspiration of basing rights. (And many, including this author, would argue as to whether or not basing rights are in the ultimate interest

of the United States or Saudi Arabia.) While the Saudi Arabians publicly espouse Arab defense of their own interests, there is little doubt that they would welcome or possibly even expect U.S. aid in defense against an outside force. Thus, the familiarity with locale, individuals and equipment, and the standardization resultant from United States' involvement in Saudi Arabian military security programs are vital U.S. military interests in Saudi Arabia. The absence of formal alliances and basing rights makes Saudi Arabia no less of an American military interest. It is a characteristic of the regional environment which must be met with innovative defense strategy.

FOOTNOTES

¹John S. Badeau, The American Approach to the Arab World (New York: Harper and Row for Council on Foreign Relations, 1968) p. 20.

²"Flashpoint for the Oil Weapon," Sunday Times (London) April 27, 1980, p. 62.

³The Trans-Arab pipeline (Tapline) connects the eastern oil fields of Dhahran with an ocean terminal in Sidon, Lebanon. However, flow ceased in the mid-70's as a result of the civil war in Lebanon. Current development plans for the new industrial complexes at Jubail on the eastern coast and Yanbu on the Red Sea include pipelines connecting the two -- one line for natural gas and one for crude. Eastern province oil and gas can then be transported by pipeline to sea loading facilities on the Red Sea from whence tankers would transit the Suez enroute to Europe thus avoiding transit through the straits and around the African Cape.

⁴George Lenczowski, The Middle East in World Affairs, 4th ed. (Ithica: Cornell University Press, 1980) p. 632.

⁵U.S. Congress, Senate Committee on Foreign Relations, Multinational Corporations and United States Foreign Policy, Hearings before the Subcommittee on Multinational Corporations. 93d Cong., 2d Sess., 1974, pt. 4, p. 86. Hereafter referred to as MNC Subcommittee Hearings.

⁶MNC Subcommittee Hearings, pt. 4, p. 88.

⁷Ibid.

⁸"Saudi Arabia: Bullish on America," Middle East Research and Information Project (MERIP) Reports, No. 26, March 1974, p. 6.

⁹U.S. Congress, Senate, Committee on Foreign Relations, Report on Multinational Corporations and United States Foreign Policy, 93d Cong., 2d Sess., 1975, pp. 134-140. Hereafter referred to as MNC Committee Report.

¹⁰Ibid., pp. 65-66.

¹¹"Saudi Arabia," a special report by Middle East Economic Digest (MEED), August 1978 and "Aramco Takeover Delayed,"

Quarterly Economic Review of Saudi Arabia, 2d Qtr., 1979, p. 8. For an account in detail of the revolutionary changes in the Middle Eastern oil industries during the 1970s see George Lenczowski, Middle East Oil in a Revolutionary Age (Washington: American Enterprise Institute for Public Policy Research, 1976).

¹²An-Nahar, Arab Report and Memo, April 14, 1980 and "Aramco Share" Quarterly Economic Review of Saudi Arabia, 3d Qtr, 1979.

¹³Financial Times (London) April 23, 1979, section III, a special section on Saudi Arabia.

¹⁴While most references refer to Aramco as the oil industry in Saudi Arabia, it should be noted that there are two other operators -- the Getty Oil Company and the Arabian Oil Company. The former is an American company while the latter is a Japanese concessionaire. Together, the two account for about 2% of Saudi annual production while Aramco accounts for the remaining 98%.

¹⁵"Yamani Statements," Saudi Economic Survey, Vol. XIII, No. 637 (Oct 24, 1979) p. 3.

¹⁶The first development plan was the period 1970-75 for the sum of \$41 billion, the second for 1975-80 was for \$142 billion and the third in 1980-85 for \$237 billion. SAMA Annual Reports and IMF International Financial Statistics.

¹⁷Foreign Broadcast Information Service (FBIS), Middle East and Africa, June 9, 1980, p. 3.

¹⁸Oriana Fallaci, "A Sheik Who Hates to Gamble," New York Times Magazine, Sept 14, 1975, p. 28, as cited in Riad A. Ajami, Arab Response to Multinationals (New York: Praeger, 1979) p. 104.

¹⁹See New York Times, Sept 16, 1980, p. 1, Sept 17, 1980, p. 1, Sept 18, 1980, p. 1, June 28, 1979, p. 1, June 29, 1979, p. 6, Nov 20, 1978, p. 1.

²⁰H. Maull, Oil and Influence: The Oil Weapon Examined (London: The International Institute of Strategic Studies, 1975) pp. 29-30.

²¹Outlook for World Oil into the 21st Century, Petroleum Research Foundation prepared for the Electric Power Research Institute, May 1978, pp. 6-15.

²² "Saudis Draft Goals for the Time when Oil Runs Low," Christian Science Monitor, April 2, 1981, p. 11.

²³ Annual Report 1977, International Monetary Fund, p. 13.

²⁴ Before 1978, the IMF Executive Board had consisted of membership from the big five -- United States, West Germany, Britain, France and Japan. In recognizing Saudi Arabia's increased importance, there was apparently some discussion over whether she should displace a current member or simply be added as an additional member. In the end, a new sixth seat was created. An-Nahar, August 14, 1978, p. 6.

²⁵ World Financial Markets (Morgan Guaranty Trust) April 1978, p. 6.

²⁶ World Financial Markets (Morgan Guaranty Trust) April 1978, p. 8.

²⁷ For instance, see Sidney Weintraub, "Saudi Arabia's Role in the International Financial System," Middle East Review, Summer 1978, p. 18; Middle East Economic Survey, August 29, 1977, pp. 8-10; and The Guardian (Manchester, England), September 28, 1978.

²⁸ The U.S. Treasury and State Departments have refused to disclose bilateral investment data even to Congress. See U.S. Congress, House Committee on Science and Technology, Technology Transfers to the Members of OPEC, Hearings before the Subcommittee on Domestic and International Scientific Planning, Analysis and Cooperation. 95th Cong., 2d Sess., 1978, pp. 393-445. (Hereafter referred to as Technology Transfer Subcommittee Hearings.)

²⁹ World Financial Markets (Morgan Guaranty Trust) April 1978, p. 7.

³⁰ Technology Transfer Subcommittee Hearings, p. 193.

³¹ Arab Economist, August 1978, p. 35.

³² Technology Transfer Subcommittee Hearings, pp. 203 and 389.

³³ See full text of President Carter's toast in Department of State Bulletin, Volume LXXVI (No. 1983), June 23, 1977, p. 671. The Presidential remarks would seem to confirm the otherwise uncorroborated theory of two leading advocates that U.S. Treasury Department statistics greatly undervalue Arab investment in the United States. One, the American

Jewish Committee, contends that Saudi Arabian investment in the United States was near \$60 billion in 1978. Another, the editor of the London-based publication International Currency Review, contends that Saudi Arabian Government investment in the United States was \$55 billion as of June 1977. The latter advocate goes further contending that there is an informal, secretive agreement between the United States and Saudi Arabia regarding disposal of Saudi Arabian accruals. See Louis J. Walinsky and Robert R. Nathan, Arab Investments and Influence in the United States (New York, 1978), a report prepared for and issued by the American Jewish Committee, October 1978. Also see testimony of Mr. Christopher Story, Editor and Publisher of International Currency Review (London), in Technology Transfers Subcommittee Hearings, pp. 210-248.

³⁴World Financial Markets (Morgan Guaranty Trust) April 1978, p. 10.

³⁵Technology Transfers Subcommittee Hearings, pp. 193-194.

³⁶Foreign Broadcast Information Service (FBIS), Middle East and Africa, June 9, 1980, p. 2.

³⁷World Financial Markets, April 1978, p. 9, and "Saudi Arabia," Middle East Economic Digest (MEED) Special Report, July 1980, p. 88.

³⁸Technology Transfers Subcommittee Hearings, p. 193.

³⁹Events, December 3, 1976, p. 17.

⁴⁰Direction of Trade Annual 1971-1977 (Washington: International Monetary Fund).

⁴¹Balance of Payments Yearbook, December 1979 (Washington: International Monetary Fund).

⁴²International Financial Statistics, May 1980 (Washington: International Monetary Fund).

⁴³Saudi Review (Jidda), October 11, 1979, p. 7.

⁴⁴International Financial Statistics, May 1980.

⁴⁵U.S. News and World Report, June 16, 1980, pp. 67-69; and "Saudi Arabia," Middle East Economic Digest (MEED) Special Report, July 1980, p. 89.

⁴⁶Technology Transfers Subcommittee Hearings, p. 350.

⁴⁷In 1980, one liter of drinking water in Saudi Arabia cost the equivalent of six liters of gasoline. See "Enthusiastic about U.S. Water Technology," U.S. Department of Commerce Business America, June 30, 1980, pp. 9-11.

⁴⁸For a detailed analysis of the period termed the "Arab Cold War," see Malcolm H. Kerr, The Arab Cold War, 3d ed. (New York: Oxford University Press, 1971).

⁴⁹For two excellent articles on Saudi Arabian foreign policy, see Adeed Dawisha, "Internal Values and External Threats: The Making of Saudi Arabian Foreign Policy," Orbis, Spring 1979, pp. 129-143; and David E. Long, "King Faisal's World View," in King Faisal and the Modernization of Saudi Arabia, edited by Willard A. Beling (Boulder: Westview Press, 1980) pp. 173-183. Dawisha provides the linkages between Saudi Arabian values and foreign policy while Long does the same by concentrating upon the values of the former personage of King Faisal.

⁵⁰Adeed Dawisha, Saudi Arabia's Search for Security (London: International Institute for Strategic Studies, 1979) p. 5.

⁵¹Ibid., p. 24.

⁵²The responsibility inherent in caring for millions of people trying to perform the same ritual at the same time in a temperature often exceeding 100 degrees Fahrenheit is phenomenal. In 1978, 1.9 million pilgrims came to Saudi Arabia under Saudi Arabia's "open door" policy for World Muslims. The government is spending \$190 million annually in support of the pilgrimage, considerably more than the income from the pilgrim tax. See "Saudi Arabia," a special supplement Financial Times (London) April 23, 1979.

⁵³Ibid.

⁵⁴"Saudi Arabia," MEED Special Report, July 1980, p. 83.

⁵⁵Ibid.

⁵⁶The U.S. administration's proposal for aid to Israel in FY 78 included \$1 billion in foreign military sales credits and \$785 million in security support assistance. The total amounted to 15% of Israel's FY 76 total budget. U.S. Congress, House Committee on International Relations,

Hearing before the House Subcommittee on Europe and the Middle East. 95th Cong., June 8, 1977, Appendix, p. 40.

⁵⁷James E. Akins, "Saudi Arabia, Soviet Activities and Gulf Security," in The Impact of the Iranian Events upon Persian Gulf and United States Security, ed. by Michael Szaz (Washington: American Foreign Policy Institute, 1979) pp. 89-90.

⁵⁸Saudi Arabia has not had diplomatic relations with the Soviet Union since 1938. Shortly before the Soviet invasion of Afghanistan, the Egyptians charged that Saudi Arabia had granted the Soviet Union overflight rights and territorial water rights for oceanic research. In the same period, there were some hints from Saudi Arabian officials that the country was considering establishing diplomatic relations with the Soviet Union. However, the Soviet move into Afghanistan resulted in a return to portrayal of the Soviet Union as an adversary.

⁵⁹For two analyses of the oil fields as military targets, see Robert W. Tucker, "Oil: The Issue of American Intervention," Commentary, January 1975, pp. 21-31; and U.S. Congress, House Committee on International Relations, Oil Fields as Military Objectives: A Feasibility Study, prepared by Congressional Research Service for Special Subcommittee on Investigations, Aug. 21, 1975.

⁶⁰Saudi Arabia attempted to instill greater motivation toward military service in 1977 by increasing military pay by 20 to 120%. A private's monthly pay was more than doubled from \$240 to \$528 while a general's increased from \$3150 to \$3620. An-Nahar, September 13, 1977, p. 169.

⁶¹Support of the argument on Saudi Arabian lack of military effectiveness is provided by testimony of a former U.S. military attache to Yemen alleging North Yemeni preference for Jordanian military advisors over Saudi Arabian advisors. See "Congress Probes Yemeni Arms Policy," Aviation Week and Space Technology, May 26, 1980, pp. 79-83.

⁶²U.S. General Accounting Office, A Report to the Congress, Perspectives on Military Sales to Saudi Arabia (Washington: U.S. General Accounting Office, 1977).

⁶³One report states Israeli aircraft have since 1976 made repeated airspace intrusions and "practice bombing runs" over the Saudi Arabian airbase nearest Israeli territory -- Tabuk -- as a "demonstration effect" of possible future consequences. The report further states that former

Israeli Defense Minister Ezer Weitzman informed American officials that in the light of the F-15 sale to Saudi Arabia, Israel must regard Saudi Arabia as one of the "confrontation states arraying against Israel." See Lewis W. Snider and R. D. McLaurin, Saudi Arabia's Air Defense Requirements in the 1980s: A Threat Analysis. A report by Abbott Associates, Inc., Alexandria, VA, Jan., 1979.

⁶⁴The Saudi Arabians view with grave concern a report alleging a 40,000-man troop force in South Yemen, composed "mostly of paratroopers." "The Force is composed of Palestinians, South Yemenis and Ethiopians under Cuban and Soviet Command. They are trained by East Germans." Saudi Review (Jidda) September 8, 1979, p. 4.

⁶⁵In 1976, Saudi Arabia began financing a five-year modernization program for North Yemeni military forces. The Soviets have also assisted intermittently, but the main support comes from Saudi Arabia and the United States. Saudi Arabia also financed 60% of the cost of four Boeing 727s for Yemen. See Dale R. Tahtinen, National Security Challenges to Saudi Arabia (Washington: American Enterprise Institute for Public Policy Research, 1978) p. 23, An Nahar, Arab Report and Memo, March 24, 1980 and Saudi Review (Jidda) October 22, 1971, p. 1.

⁶⁶"Kissinger Opposes U.S. Apology to Iran," New York Times, June 20, 1980, p. A7.

⁶⁷U.S. Congress, House, Committee on International Relations, Review of Recent Developments in the Middle East, Hearing before the Subcommittee on Europe and the Middle East. 95th Cong., 1st sess., June 8, 1977, Appendix 1, p. 89.

⁶⁸U.S. Congress, House, Committee on Foreign Affairs, Proposed Arms Sales for Countries in the Middle East, Hearing before the House Subcommittee on Europe and the Middle East. 96th Cong., August 1, 1979, p. 13-14. (Hereafter Proposed Arms Sales to Middle East Hearing.)

⁶⁹Paul Hammond, David J. Louscher and Michael D. Solomon, "Growing Dilemmas for the Management of Arms Sales," Armed Forces and Society, Fall, 1979, p. 9-10.

⁷⁰U.S. Congress, House, Committee on Foreign Affairs, Proposed U.S. Arms Sales to Saudi Arabia, Hearing before the Subcommittee on International Security and Scientific Affairs, Dec. 12, 1979, p. 21. (Hereafter Proposed Arms Sales to Saudi Arabia Hearing.)

⁷¹U.S. Congress, House, Committee on Foreign Affairs, Activities of the U.S. Army Corps of Engineers in Saudi Arabia, Hearings before the Subcommittee on Europe and the Middle East, 96th Cong., 1st sess., June 25, 1979, p. 51-52.

⁷²See Chapter 2, p. 42.

⁷³Alvin J. Cottrell and Robert J. Hanks, "The Strategic Tremors of Upheaval in Iran," Strategic Review, Spring 1979, p. 56.

⁷⁴See "U.S. to Press for Oman, Kenya and Somalia Outposts," New York Times, January 10, 1980, p. 15.

⁷⁵See Foreign Broadcast Information Service (FBIS), Middle East and Africa, February 15, 1980, p. 2.

⁷⁶"Congress Probes Yemeni Arms Policy," p. 79.

IV. CONCLUSION

A. PARADOX AND FORTUITOUS CIRCUMSTANCE

The beginning of the United States-Saudi Arabian relationship is full of paradox and fortuitous circumstances. Paradox was that one Middle Eastern state -- Saudi Arabia -- which had petroleum resources exceeding all others in the area should look outside the bounds of the predominant influence within the area -- British -- for association. And that one of the predominant influence's prime purposes for being in the area was to exploit the petroleum resources of the area. Fortuitous circumstance was that the state -- Saudi Arabia -- should look to American sources for association even though such association was not actively sought by the United States Government. History suggests that such a lack of activism on the part of the United States Government may have been a prime motivation for Ibn Saud. To spurn British influence and seek American associations was in effect an avoidance of political ties with a foreign government.

Paradox was the fact that several American oil companies should turn down Karl Twitchell's offer of venture into what was to be one of the world's largest petroleum reserves. Fortuitous circumstance was the fact that Ibn Saud's personal advisor, a British Arabist, should advise the King to consult

an American, Charles Crane, on development of the kingdom's resources and advise him to accept an American firm's offer for concession over a British firm's. But here again, there are some offerings for explanation for such in that some claim Philby had an axe to grind with Britain.

B. THE CORNERSTONE: ARAMCO

With such a beginning in good fortune and paradox, one might expect the history of such a long association to settle down to be the resultant of planned, programmed action by both associated governments. However, it did not. The first decade of association was not self-initiated by the United States Government but, rather, by the economic association between an Arabian king who needed revenue for his newly consolidated kingdom and an American oil company with vested interests in the kingdom. This economic linkage was the sole basis of American-Saudi Arabian relationship for ten years before the United States Government ever became officially involved. Financial aid was relayed from the United States Government to Ibn Saud in an indirect manner, but this too was at the instigation of the American half of the economic association -- Aramco. Thus, the United States-Saudi Arabian relationship was not only birthed by Aramco but the oil company acted as the sole resident guardian of the relationship for the first ten years of its life.

Aramco's part in this relationship deserves further comment. There has been of recent much study of the effect multinational corporations have upon international relations. One theory sees the multinationals as a foreign policy tool of the home country. The multinational injects home country influence into foreign countries by penetrating national borders. Such a description applies to Aramco. However, for the first ten years, Aramco was not a mere tool of foreign policy but rather a manipulator of foreign policy. Its role subsided to the more common role of tool when diplomatic relations were established with Saudi Arabia in 1943.

In that role, Aramco played an exceptional part. For it was paradox that while other such tools of foreign policy all around the region fractured in the stress of nationalization, Aramco remained strong and useful. The company itself deserves, perhaps, more of the credit than does United States policy. For it was through exceptional personnel policies, superior technical performance and conciliatory compromise with the Saudi Arabians that the company came to be regarded by Saudi Arabia as a national asset nearly as valuable as the oil which it produced.

The role has now changed, however. The company now more nearly fulfills the role of hostage to a host government. The threats in 1973 of possible nationalization forced the company to assume the new role in an effort to avoid huge capital losses and complete loss of interest in Saudi Arabian

petroleum reserves. The 60% assumption of ownership by the Saudi Arabian Government weakened the company's role as a tool of foreign policy and the completion of present negotiations regarding complete Saudi Arabian ownership will nearly destroy the tool. The final result may be something betwixt and between. Aramco will be somewhat of a hostage to Saudi Arabia in that she will have a vested interest in maintaining the production service and marketing of Saudi Arabian oil. However, Saudi Arabia also will have a vested interest in retaining the experience and superior technical ability of the company and its former owners, thus making the company a possible tool of foreign policy for the United States -- albeit a very weak one.

C. 1973 -- A YEAR OF CHANGE

The relationship between the United States Government and Saudi Arabia changed -- like the role played by Aramco -- in 1973. Before that Saudi Arabia had been somewhat of a little brother of big brother United States. The younger brother admired the stature, accomplishments, products, skill and strength of the bigger brother. Dependency was rather one-sided, the younger looking toward the older for assistance and guidance. However, under the leadership of Faisal, the younger brother began to grow and mature, seeking individual reasoning rather than dependency upon the older brother. The momentum of change began with Faisal

in the latter half of the 1960s and the climax was reached in 1973.

The relationship between the two nations is now one more of interdependency. Saudi Arabia's mineral resources and revenues therefrom have made her more of an independent actor. No longer dependent upon external sources for financial aid, she can shop the markets for the best purchases in developmental aid, arms and military training. As a political actor of significance, she is no longer dependent on any outside power for day-to-day political clout. While all national sovereignty is relative, Saudi Arabia's post-1973 international sovereignty is far greater than any which existed prior to that time.

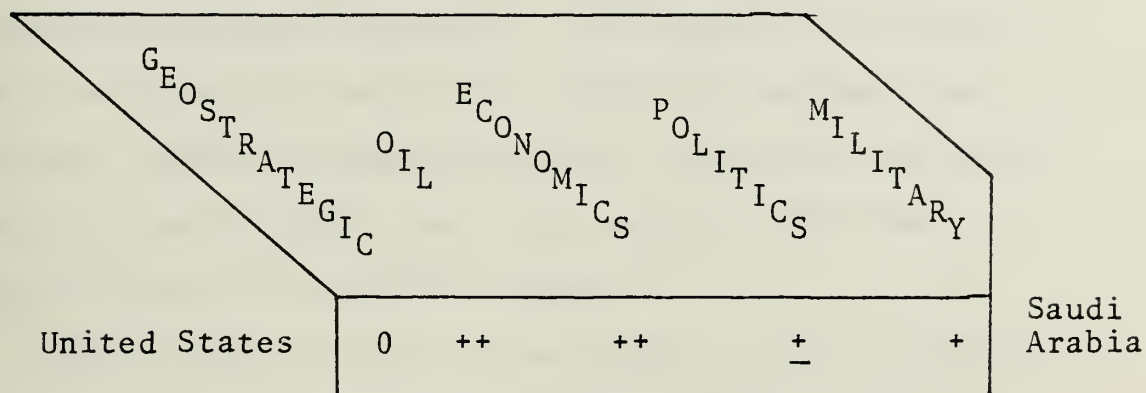
D. CONGRUENCY OF NATIONAL INTERESTS

In reviewing the national interests by which the relationship is maintained, oil remains paramount. It was oil which served to birth the relationship, it was oil which served to develop the relationship and it was oil which served to refocus the relationship in 1973. Each of the other interests sustaining the relationship is itself either enabled or heightened in importance by oil.

Such a situation has been enabled by the mutually reinforcing interests of each member. For Saudi Arabia, the oil industry represents the heart of the nation. Without it, there would be little else for oil is responsible for 75%

FIGURE IV-1

Congruency of National Interests



- ++ Strongly Mutually Supportive
- + Mutually Supportive
- 0 Neutral
- Conflicting
- + Reinforcing and Conflicting

of the GDP. For the United States, Saudi Arabian oil represents an important energy source for itself and, even more important, for its Western European and Japanese allies. In the latter half of the decade of the 70s, Saudi Arabian oil supplied approximately seven percent of United States crude requirements, 25% for Western Europe and 35% for Japan. Such figures demonstrate clearly the heightened vitality of Saudi Arabian oil to the United States and more so to

its allies. The exchange of oil is then a vital mutual interest between the United States and Saudi Arabia.

The process of actually producing the oil is also a mutually reinforcing interest. For whereas the United States has the best supply of technology, manpower and equipment for oil production, Saudi Arabia has the need. There were still 13,000 Americans working for Aramco in 1980 in spite of the Saudi takeover.

The national interest of economics is also mutually reinforcing. In international monetary affairs, the United States represents to Saudi Arabia the largest economy in the world. Thus there is no avoiding the significance of the dollar, necessitating Saudi support for a strong dollar. And for the United States, there is no avoidance of the possible effect the vast Saudi revenue excesses can have upon the dollar. Pursuit of long-term individual interests by both partners in the relationship should therefore further serve to strengthen the relationship.

That other aspect of the economic interest, trade and commerce, is also mutually reinforcing. Saudi Arabia is currently undertaking a pace of national development never before preceded in history. Within that plan, she has utilized the United States as her primary source of technology, real goods, and services. Thus what Saudi Arabia sees as a primary source of means for development, represents to the United States a vital means of offsetting the significant

debt incurred in purchasing Saudi oil. Thus the process of "dollar recycling" is of mutual interest to both nations.

The military interests of the two members, excepting the case of Israel, are mutually reinforcing also. While this study has dealt primarily with events radially emanating from the central focus year of 1973, it must be mentioned that the year 1979 plays a role of prominence within the military field. The Soviet intrusion into Afghanistan of that year served to prompt the United States to boldly declare its military interests in the Persian Gulf region. It also served to redefine the Soviet Union as an international transgressor to most international actors who had recently considered her otherwise. Those who had been considering some sort of approachment with the Soviets abandoned their efforts thereafter. Another event of 1979, the Iranian revolution also served to heighten the importance of mutual interests between the United States and Saudi Arabia. For after Iran, Saudi Arabia was the only survivor of the "twin pillar" policy for Persian Gulf security. These two events then prompted the U.S. administration to take a quantum leap in military assistance offerings to Saudi Arabia, thus confirming her increased importance in the region.

Saudi Arabia, impressed likewise by the events of 1979, welcomed such offerings but her view of the threat priority is somewhat different from the United States'. While the

United States views the threat as from outside the region, the Saudis consider regional and internal threats as the paramount source of disruption. The differing views have served then a multitude of actions and arguments. United States factions can justify increased military cooperation with Saudi Arabia while focusing upon the international issues while their detractors can argue against security assistance by focusing upon Middle East regional and Saudi Arabian internal issues. Similarly, one Saudi faction can justify increased military cooperation with the United States by citing Soviet actions while another faction can argue against such by noting United States regional policy. Overall, however, the military interests can be adjudged mutually supportive although lacking in the degree of mutuality that exists in oil and economics.

Geostrategic interests are somewhat one-sided. As a super-power, the United States has a strong geostrategic interest in Saudi Arabia. That interest is primarily in assuring that no unfriendly power gains control over the area or strategic points within. The region represents a geostrategic prize mainly to one of the two principal super-powers. Saudi Arabia, as a non-super-power, does not therefore share that interest to the extent of United States concern. She would not welcome control of the area by unfriendly forces. But the demands of nationalism prevent her from expressing strong outward allegiance to a friendly super-power protector

in order to stave off an opposing super-power influence. She is forced then to maintain a position of non-alliance within a multi-bipolar world forestalling that day when a move toward either pole may be necessitated. Because of these concerns, the mutuality of this interest is then scored neutral.

The area of political interests ranges the spectrum from congruency to conflict. The United States represents to Saudi Arabia the leader of the free world and the successful example of free enterprise. In contrast, Saudi Arabia represents to the United States an important lever within regional, Arab, Islamic and Third World politics. From some of these aspects the political interests are basically congruent. But as was so clearly demonstrated in 1973, the political interests of the two nations can turn to direct conflict over the issue of another nation-state -- Israel. This area then will require particularly adroit handling by the two partners to avoid conflict in the future.

E. THE FUTURE

The future of the relationship lies primarily within the same area from which the relationship evolved. It was oil which established the relationship in the beginning, it was oil which served to re-focus the relationship in 1973, and oil remains the principal medium by which a "special relationship" is carried out. It is oil then which will serve as the

principal indicator for the future of the relationship. For changes in that indicator would serve as the catalyst for change in the relationship.

The possibilities of change are numerous. On the demand side, a reduced dependence on Saudi Arabian oil would obviously serve to weaken the United States interest in the relationship. Such a reduced dependence could come about by many different ways, from simple conservation efforts to development of a better, more economical energy alternative. However, it must be pointed out that reduced dependence would have to be within the full axis of United States/Western European/Japanese consumption. For as has been seen, a major portion of the United States interest in Saudi Arabian oil is as a lifeblood for the Japanese and European allies.

From the supply side, any factor which prompted reduced supply or unreasonable prices would likewise weaken the relationship. Stimuli for such could range from a new Saudi Arabian government oil policy to destruction of the oil facilities by war or sabotage. A new government policy could simply result from a change in the present government's policy, prompted by regional concerns and specifically United States Middle East regional policy or by change in the government itself. War or sabotage in the oil fields could result from either an Arab-Israeli war, an inter-Arab war or a revolution. It is to be assumed, of course, that the

Western nations would work to prevent such occurrences.

Any such occurrence would seriously jeopardize their vital interests, just as it would jeopardize the vital interest of the present Saudi Arabian government.

The specific future of the United States-Saudi Arabian relationship remains then like the future itself -- unknown. But like other areas of international relations, the paradigm or hypothesis of the future relationship may best be derived by analyzing the past. This work has done that and it can be seen that the best indicator to be used in the paradigm of the future is the indicator of oil; herein lies the future of the United States-Saudi Arabian special relationship.

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